

novobanco

RESULTS PRESENTATION 1H 2024



August 1st, 2024

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Share Capital: 3 345 000 000.30 Euros represented by 500 000 000 shares
NIPC: 513 204 016 | LEI: 5493009W2E2YDCXY6S81*

Agenda

- 01. Highlights
- 02. Income Statement
- 03. Balance Sheet
- 04. Final Remarks

01.

Highlights

Solid business model: strong 1H, capital accretion and upward revision of 2024 Outlook

Increased profitability with net income of €370.3mn (1H23: €373.2mn, -0.8%), equivalent to 17.4% RoTE, despite an increasingly overcapitalised balance sheet with **FL CET1 of 19.9% (1H24: +176bps)** and a one-off €30mn provision for a transformation process. **Tangible shareholder's equity increased by €698mn YoY to €4,376mn (+19%)**, from a solid and diversified business model with a strong corporate and low-risk retail mortgage franchises.

Strong NII (+14% YoY to €594.9mn) and Fee income growth (+11% YoY to €161.2mn), reflecting the **strength of novobanco's franchise** backed by a **growing client base** and accounts and payments initiatives consistently delivering positive momentum. **NIM of 2.83% (Dec/23: 2.75%)** benefiting from the balanced management of asset yields and financing costs. **Cost to Income at 32.1%**, reflecting continuous focus on simplification and optimization.

Improved asset quality with further net NPL ratio reduction to 0.5% (Jun/23: 1.0%), from both lower NPL ratio and higher coverage level. **Cost of risk at 38bps** (1H23: 41bps and 1Q24: 35bps), while building management overlays (below management guidance of 50bps).

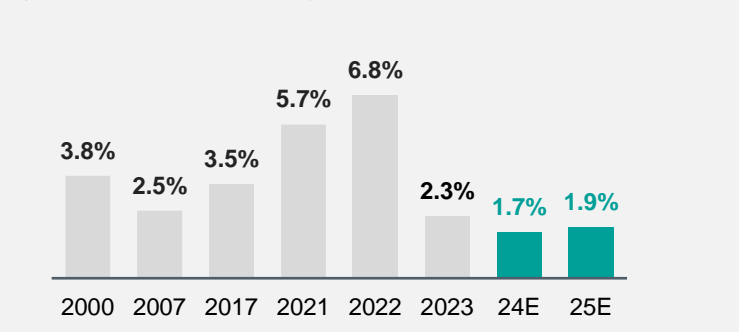
Supported by a strong franchise, **Customer deposits increased to €29.1bn (+3.5% YTD)**, reflecting a market share of 9.3% in May/24, **and Gross Customer credit at €28.5bn (+1.1% YTD; flat YoY)**, with net customer credit representing 61% of novobanco's total assets, reaching a loan market share of 10.1%¹.

Strong liquidity position with LtD ratio of 79.2% and healthy liquidity ratios, **increasing stable funding by €1.9bn YTD** (LCR: 198%; NSFR: 121%). **Consistent strategy execution leading to an upward revision of 2024 Outlook** for NIM, Cost to Income and Net Income

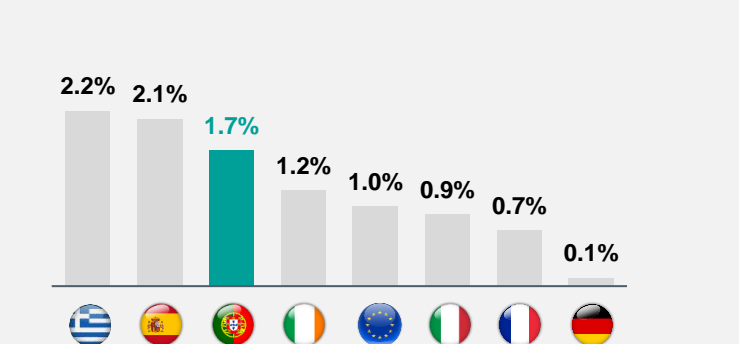
Portugal is one of the strongest economies in the EU...



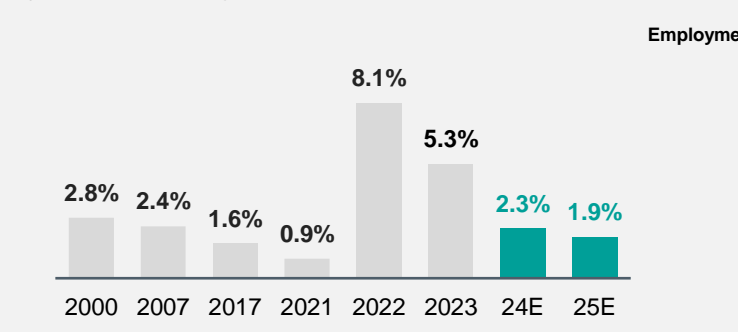
Portugal poised to grow...
(PT Real GDP Growth)



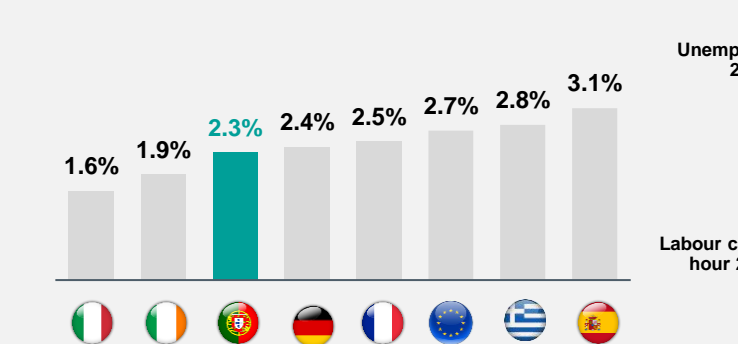
...above European peers
(Real GDP Growth, 2024E)



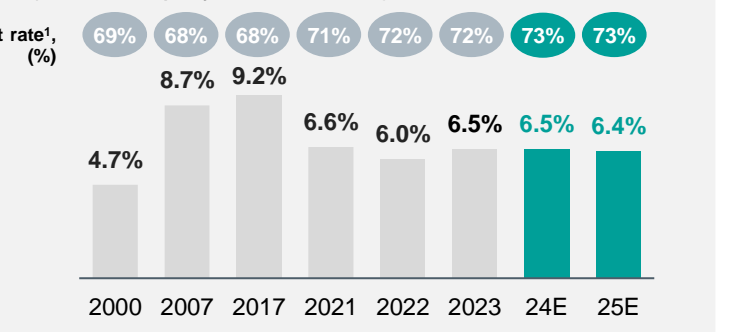
Inflation under control...
(PT Inflation, %)



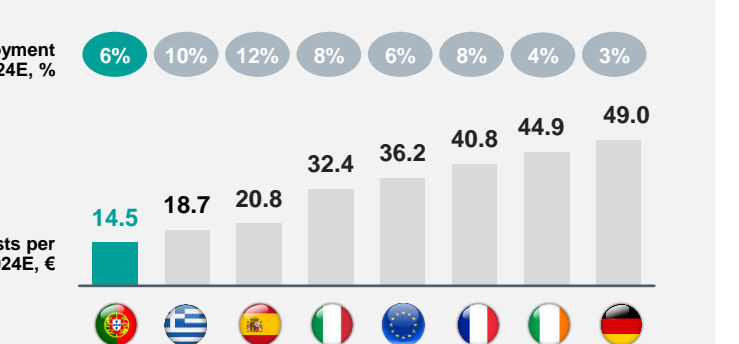
...and below European peers
(Inflation, 2024E)



Unemployment near historic lows...
(PT Unemployment rate, %)

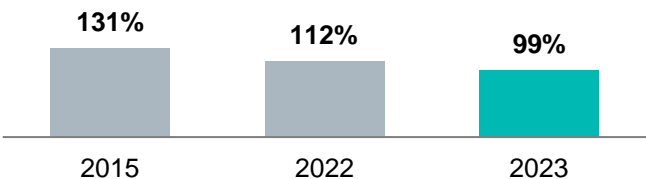


...with competitive labour costs
(Unemployment rate & Labour costs per hour €)

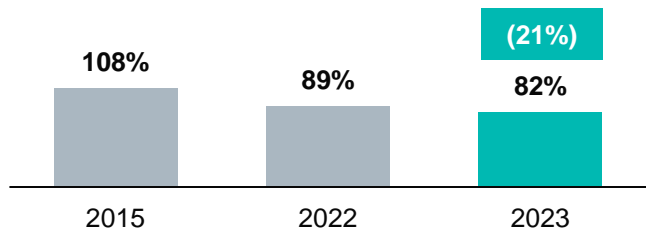


Historical strong economic de-leverage with expected loan growth momentum

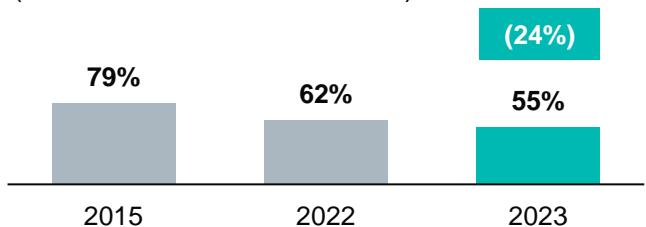
Political stability and strong fiscal discipline (% Public Debt to GDP)



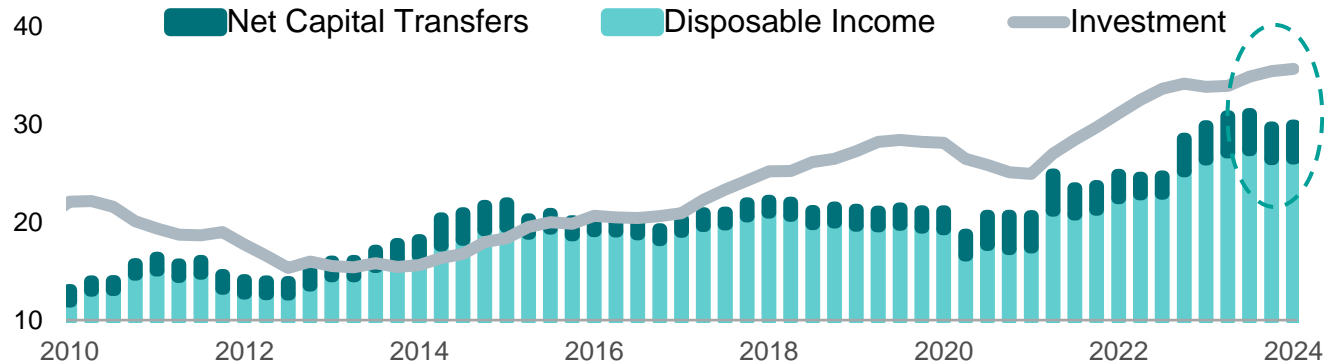
Corporate have also significantly deleveraged (Non-financial corporations indebtedness ratio, % GDP)



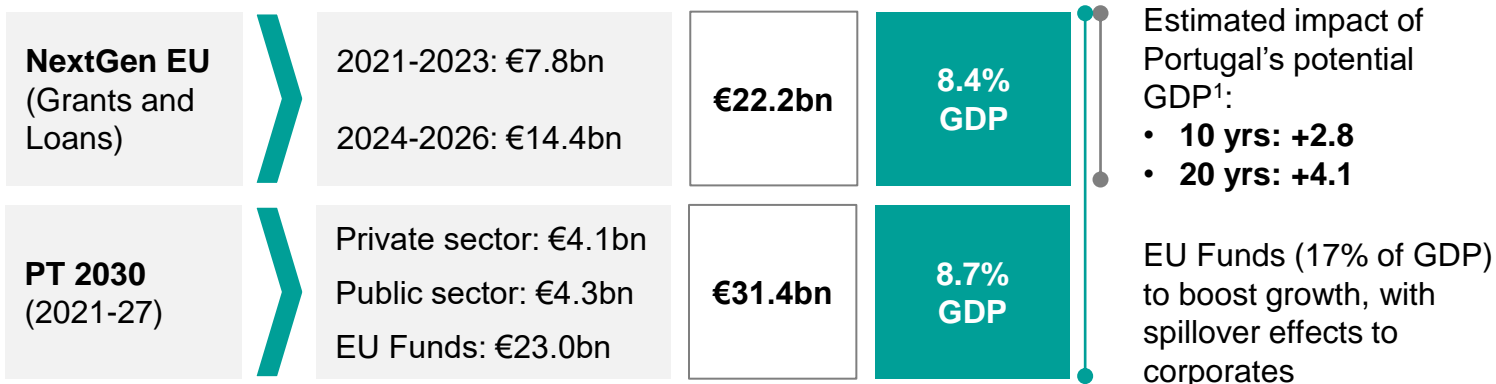
Households financial discipline (Household debt as % of GDP)



Non-Fin. Corporations financing needs: Disposable income + Capital transfers – Investment (€mn)



NextGen EU Funds and PT 2030 (€bn; % GDP)

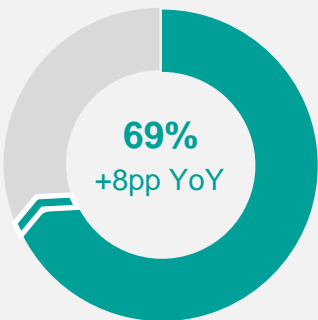


Building strong momentum best-in-class customer franchise

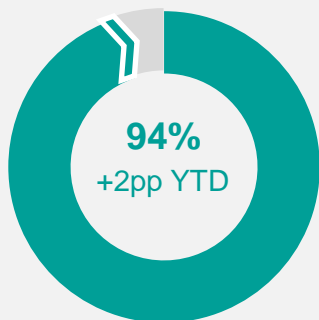
Retail

A customer-first bank with a reinforced omnichannel business model

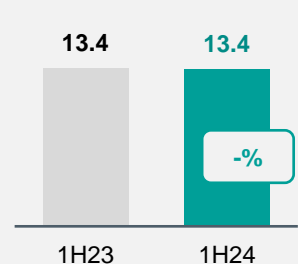
Digital Active Clients



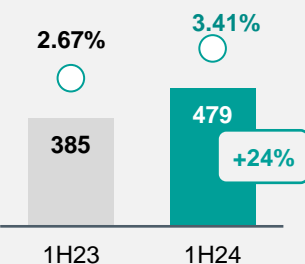
Customer Satisfaction: Personal Loans Experience



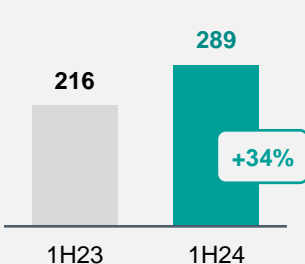
Net Customer Credit (€bn)



NIM & Banking Income (%; €mn)



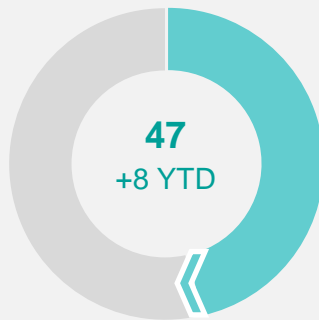
Profit Before Tax (€mn)



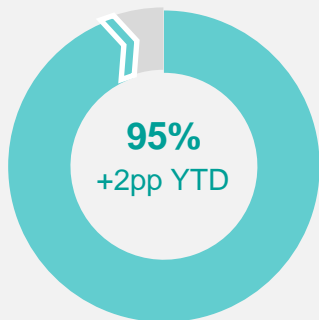
Corporate

Strengthening our commitment to companies

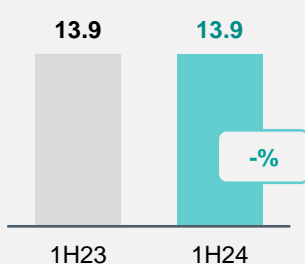
SME: Relational NPS



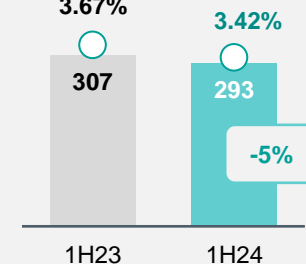
SMEs: Customer service Satisfaction (1H24)



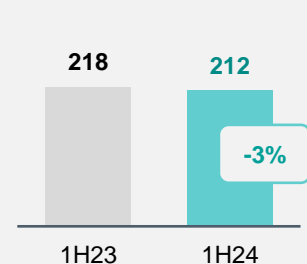
Net Customer Credit (€bn)



NIM & Banking Income (%; €mn)



Profit Before Tax (€mn)



Advancing on all 4 strategic pillars for an enhanced customer experience

Customer-centric

Enterprise Lending

Revised process **supporting credit decisions**, streamlining and improving time to market of credit proposal

Wealth Management

New **trading platform** (Saxo) supporting open architecture, self trading and asset allocation

Personal Loans: CX

Improved digital channel limits and experience being equal to branch and channels (~25% of sales)

Simple & efficient

New acquiring offering

New Smart POS offering (launched in July)

Digital channels

New Health & Auto **Insurance offering**

Inbound Orchestrator

Contact Hub Inbound Orchestrator voice (launched in July)

People & Culture

EVP

Enhanced Employee Value Proposition to **attract, train and retain**

Bank Delivery Model

Agile, multi-disciplinary and journey led ownership (eg: Accounting opening and KYC)

Sustainability

RAROC model

Client relationship RAROC, introducing and deployment to wider organization

SBTi validation

Continuous development on integration of ESG framework:
The **first Portuguese bank with SBTi validation** for emission reduction targets; commitment to reduce absolute Scope 1 and 2 GHG emissions by 54.2% by 2030 (base year: 2021)

02.

Income Statement

1H 2024 delivered increased and sustainable profitability

Income Statement (€mn)		1H23	1H24	▲YoY €mn	▲YoY %
1	Net Interest Income	524.0	594.9	+70.9	14%
	+ Fees & Commissions	145.4	161.2	+15.8	11%
	= Commercial Banking Income	669.4	756.1	+86.7	13%
2	+ Capital Markets Results	28.0	-4.7	(32.7)	n.m.
	+ Other Operating Results	-5.0	1.5	+6.5	n.m.
3	= Banking Income	692.4	753.0	+60.6	9%
	- Operating Costs	225.1	242.7	+17.6	8%
	= Net Operating Income	467.3	510.3	+43.0	9%
	- Net Impairments & Provisions	56.0	87.8	+31.8	57%
	...of which Customer credit	58.6	53.3	(5.3)	-9%
	...of which Other	-2.6	34.5	+37.1	n.m.
= Profit Before Tax		411.4	422.5	+11.2	3%
- Corporate Income Tax		1.6	17.7	+16.1	n.m.
- Special Tax on Banks		34.2	32.2	(2.0)	-6%
= Profit after Taxes		375.6	372.6	(3.0)	-1%
- Non-Controlling Interests		2.4	2.3	(0.2)	-6%
= Net Profit for the period		373.2	370.3	(2.8)	-1%

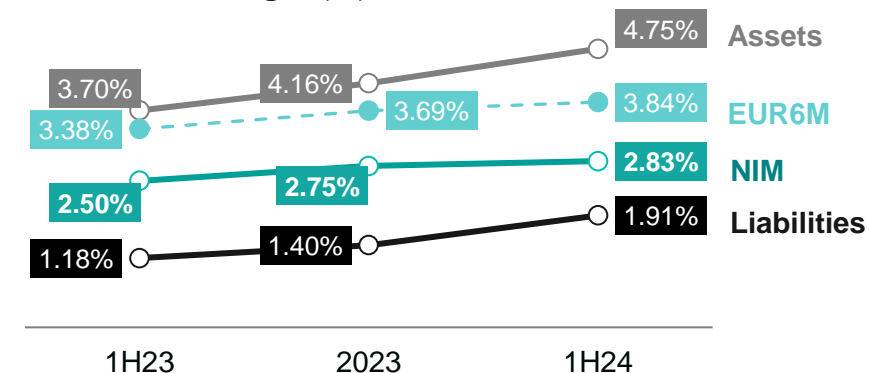
- **NII performance** (+14% YoY) reflecting improvement of assets yield in excess of the increase in the cost of funding, reaching NIM of 2.83%.
- **Fee income** +11% YoY with increased contribution of Accounts and Payments (+28% YoY) from **higher volume of transactions and growing customer base**, despite legislative headwinds.
- **Commercial Banking Income was €756mn** (+13% YoY).
- Capital Markets Results of -€4.7mn includes gains and losses from the sale and revaluation of securities, foreign exchange results and hedging. Other operating results includes the contribution to the National Resolution Fund (€6.4mn), gains from the recovery of overdue credit and real estate results.
- **Commercial Cost to Income ratio at 32.1%**, backed by efficient operations with a sustained top-line performance and contained operating costs. Operating costs totalled €243mn (+1.3% vs avg. 2023), reflecting on one hand the continued strategic investment in digital transformation, optimisation and simplification of the organization and on the other hand the effects of inflation and the higher business activity.
- Customer credit **cost of risk at 38bps** (1H23: 41bps), including management overlays. Other Provisions include a €30mn one-off provision related to the Bank's transformation process as part of its strategic program of innovation and simplification.
- **Net income of €370mn (-1% YoY)**, equivalent to **RoTE of 17.4%** (on overcapitalised balance sheet with 19.9% CET1), reflecting consistent execution of novobanco's strategy, with the ability to grow revenue and generate capital.

1 NII growth from expanding NIM on stable loan book, and decreasing cost of deposits, backed by stable term deposit mix

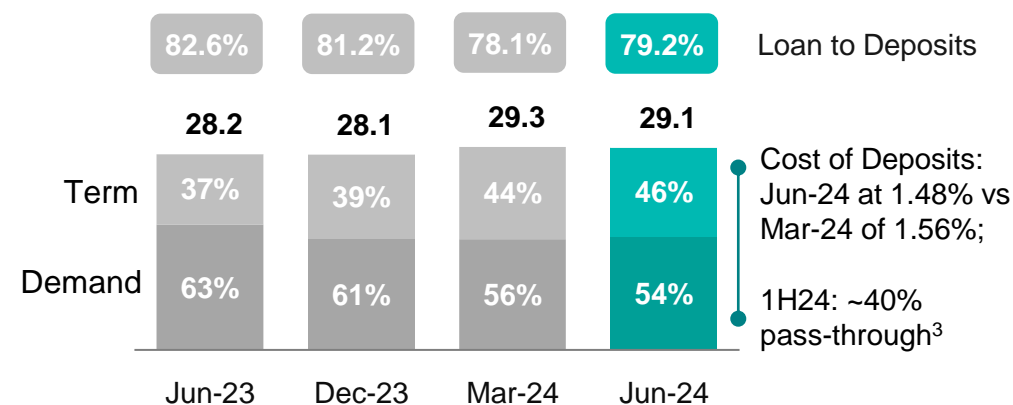
Net Interest Interest (NII) & Net Interest Margin (NIM)

	1H23			1H24		
	Avg. Balance	Avg. Rate	Income/ Costs	Avg. Balance	Avg. Rate	Income/ Costs
Customer Credit	28 033	4.13%	583	28 063	5.31%	753
Mortgage loans ¹	9 976	3.21%	161	9 935	4.74%	238
Consumer loans and Others	1 441	6.90%	50	1 675	7.32%	62
Corporate credit	16 615	4.45%	372	16 453	5.45%	453
Money Market Placements	4 792	2.76%	66	6 116	3.98%	123
Securities ALM and Other	8 937	2.83%	127	7 384	3.25%	122
Interest Earning Assets & Other	41 762	3.70%	776	41 564	4.75%	998
Customer Deposits	28 656	0.52%	75	30 218	1.55%	236
Money Market Funding	8 480	2.79%	119	5 269	4.01%	107
Other Liabilities	1 596	6.66%	53	1 742	6.55%	58
Other Non-Interest Bearing Liabilities	3 031	-	0	4 335	-	0
Interest Bearing Liabilities & Other	41 762	1.18%	247	41 564	1.91%	401
NIM / NII²		2.50%	524		2.83%	595
Euribor 6M - Average		3.38%			3.84%	

Net Interest Margin (%)

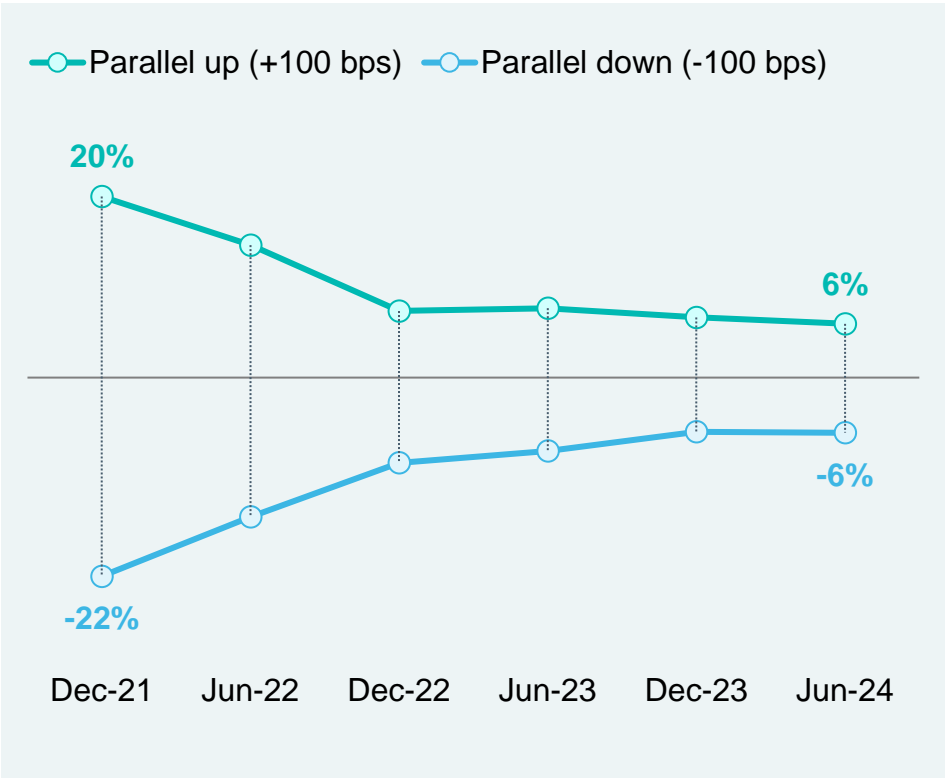


Customer Deposits (€bn; %)



1 Downside rates risk being actively managed

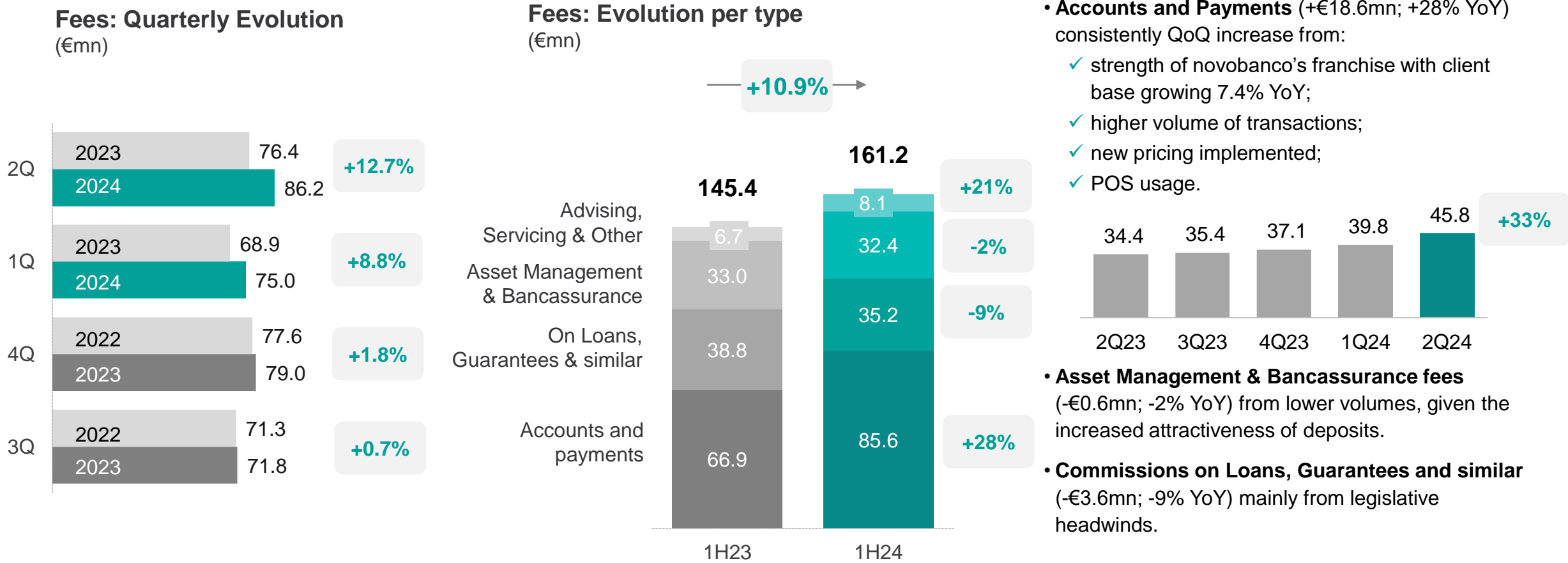
12 months NII sensitivity to \pm 100bps Forward parallel shift in interest rates¹



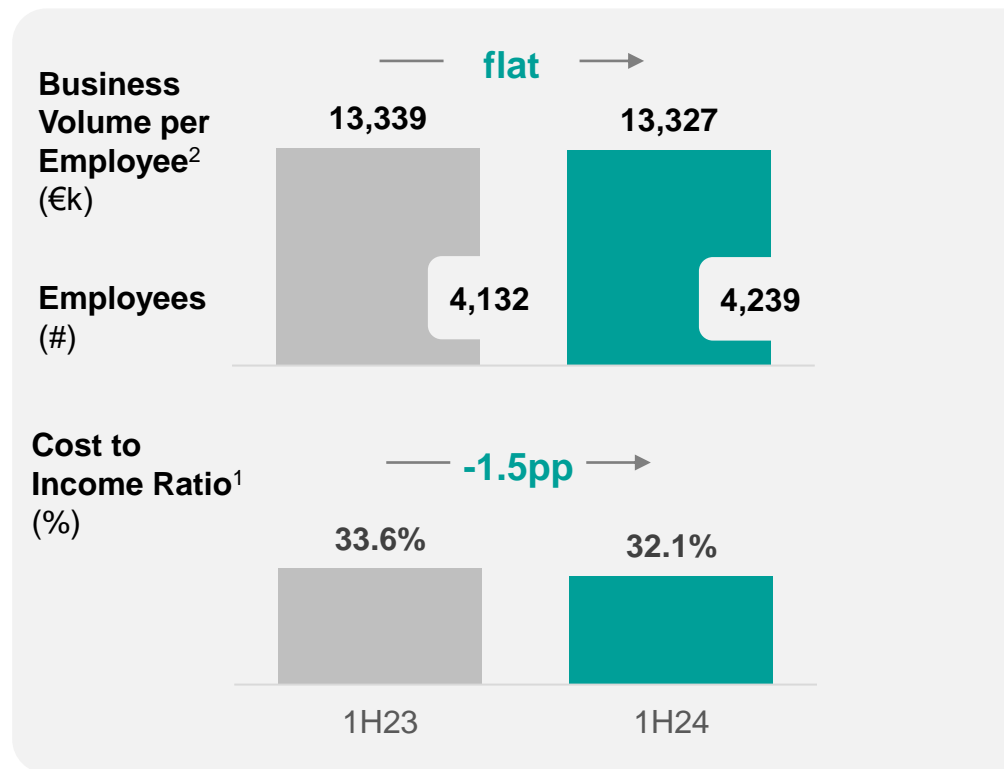
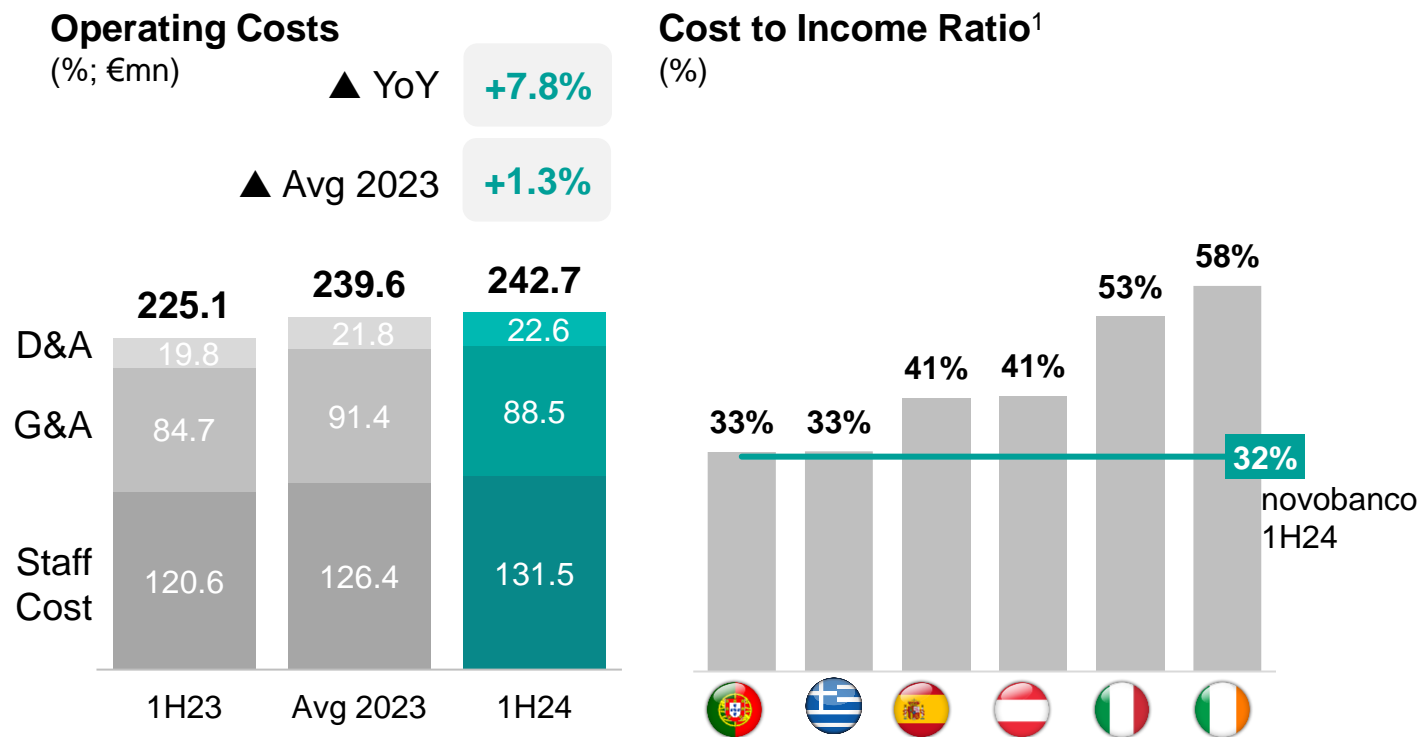
Measures to reduce interest rate sensitivity

1	Increased fixed rate assets through cash-flow hedges	<ul style="list-style-type: none"> • Average Amount: €6.4bn • Avg rate: 2.8% • Residual maturity: c.5 yrs 	Increased fixed rate exposure by +€10bn with residual maturity c.5 years
2	Execution of non-maturity deposits fair-value swaps	<ul style="list-style-type: none"> • Amount: €2.5bn • Avg rate: 3.1% • Residual maturity: c.5 yrs 	
3	Hedged long duration fixed-rate liabilities (zero coupon and '43 bonds)	<ul style="list-style-type: none"> • Amount: €0.8bn • Core sovereign bonds • Maturity: >2033 	
4	Increased origination of fixed rate loans and adj. fair-value hedging strategy	<ul style="list-style-type: none"> • Loan book as of Jun-24: • Fixed loans: 15% (+2pp YTD) • Of which: 39% hedged (-11pp) 	
5	Hedging to floating 2024 YTD bonds issuance	<ul style="list-style-type: none"> • Covered bond: €500mn • Senior Preferred: €500mn 	

2 Momentum in franchise and commercial initiatives driving fee growth



3 Industry leading cost to income ratio



Efficient operations with revenue growth offsetting cost inflation and investment in people and culture, reaching a best in class C/I ratio.

03.

Balance Sheet

Simple balance sheet reflecting novobanco's focused business model

Balance Sheet (€mn)

Assets	Jun-23	Dec-23	Jun-24	▲ YTD	
				€mn	%
Loans and advances to Banks	3,473	5,915	6,093	178	3.0%
Customer credit (net)	27,321	26,975	27,320	345	1.3%
ALM Portfolio	8,849	6,499	7,941	1,441	22.2%
Current and deferred tax assets	997	931	957	25	2.7%
Real estate	583	460	427	(33)	-7.1%
Non-current assets held for sale	58	90	30	(60)	-67.1%
Other assets	2,617	2,630	2,374	(256)	-9.7%
Total Assets	43,900	43,501	45,141	1,640	3.8%

Liabilities & Equity	Jun-23	Dec-23	Jun-24	▲ YTD	
				€mn	%
Customer deposits	28,219	28,140	29,128	988	3.5%
Due to central banks and Banks	6,252	5,745	5,143	(602)	-10.5%
Debt securities	1,888	1,108	2,436	1,329	120.0%
Non-current liabilities held for sale	15	13	12	(1)	-9.2%
Other liabilities	3,545	4,073	3,750	(323)	-7.9%
Total Liabilities	39,920	39,078	40,469	1,391	3.6%
Equity	3,981	4,422	4,672	250	5.6%
Total Liabilities and Equity	43,900	43,501	45,141	1,640	3.8%

Assets

- Loans and advances to Banks increased 3.0% YTD, reflecting the increase of cash at ECB.
- **Net customer credit¹ at €27.3bn** (+1.3% YTD) with €2.3bn origination offset by increased amortisations. Performing customer credit of €28.5bn (+1.1% YTD).

Liabilities

- Total customer funds (incl. Off-BS) of €37.1bn (+€1.9bn YTD), reflecting the increase in Deposits (+€1.0bn YTD) and new issuance (+€1.3bn). **Deposit market share at 9.3%².**

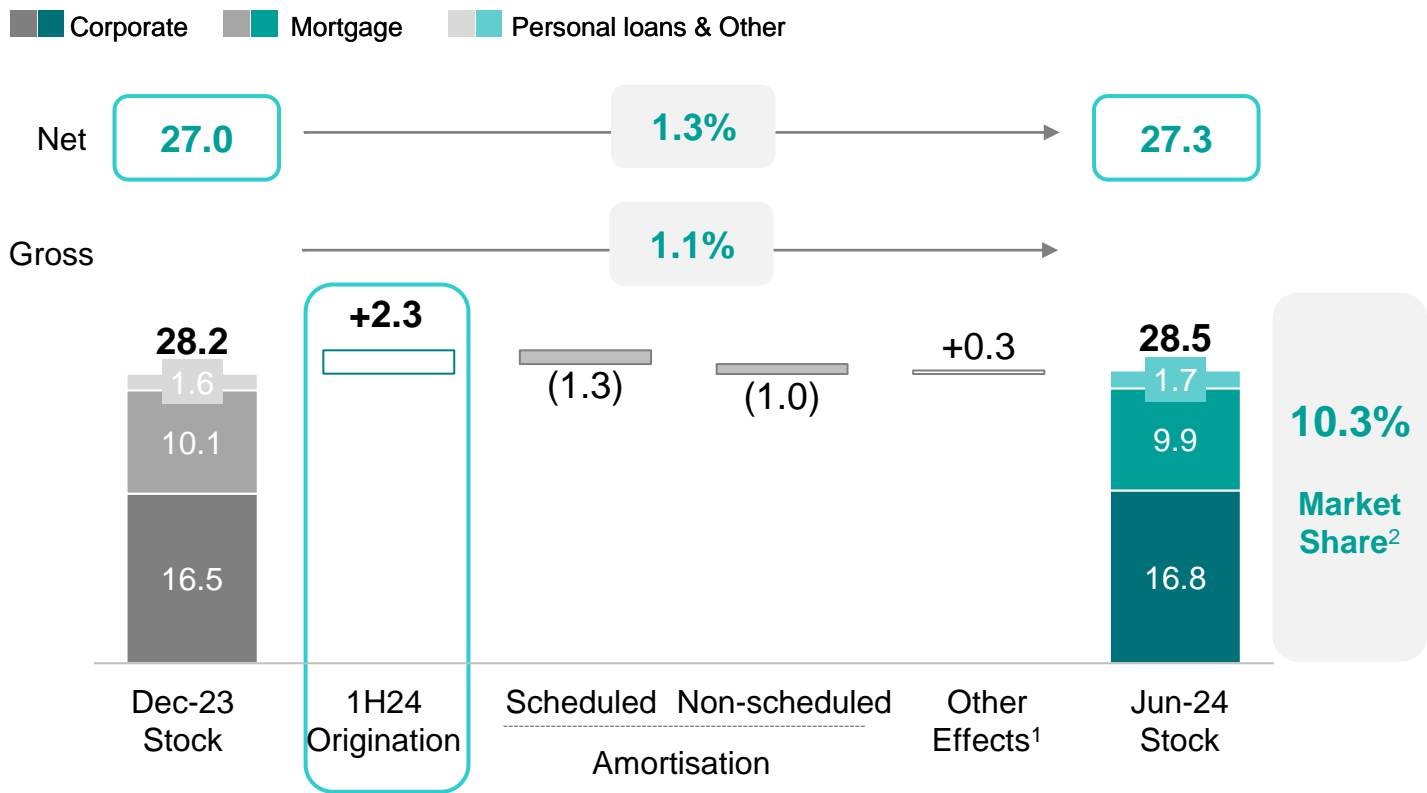
Capital & Liquidity

- **CET1 FL ratio increasing by 176bps³ to 19.9%.** The organic capital generation reflects the capital accretive business model with solid top-line performance and disciplined capital allocation.
- **Strong liquidity position: LtD at 79.2%** (2023: 81.2%), **LCR of 198%** (2023: 163%) and **NSFR of 121%** (2023: 118%), as well as liquidity buffer of €14.9bn.

Stable and growing YTD customer credit

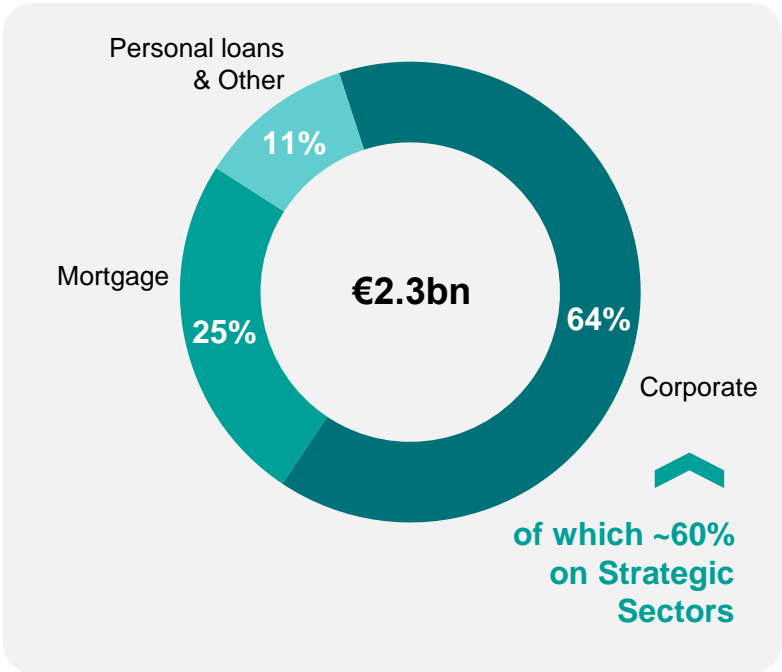
Customer credit

(€bn; %)

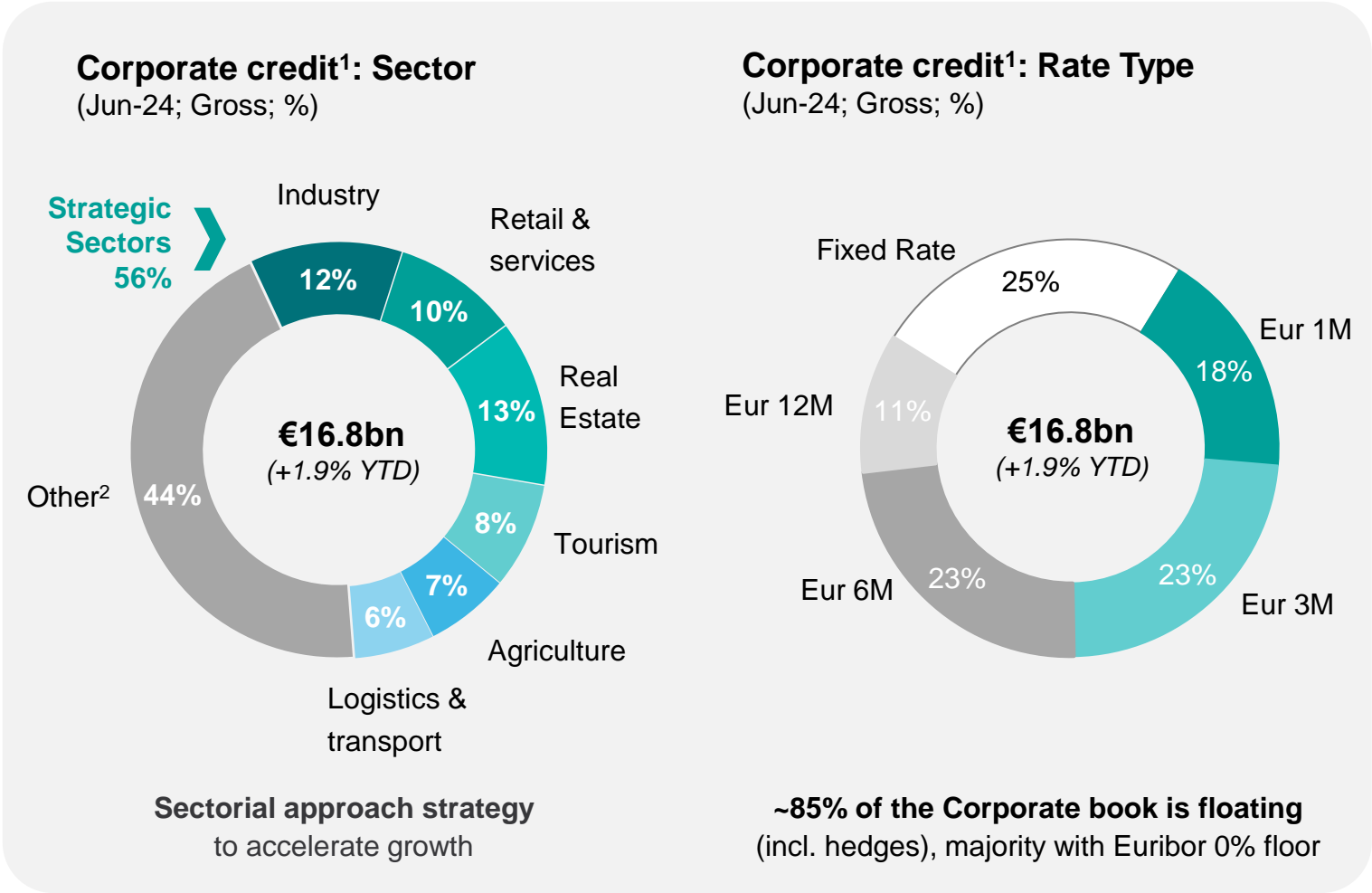
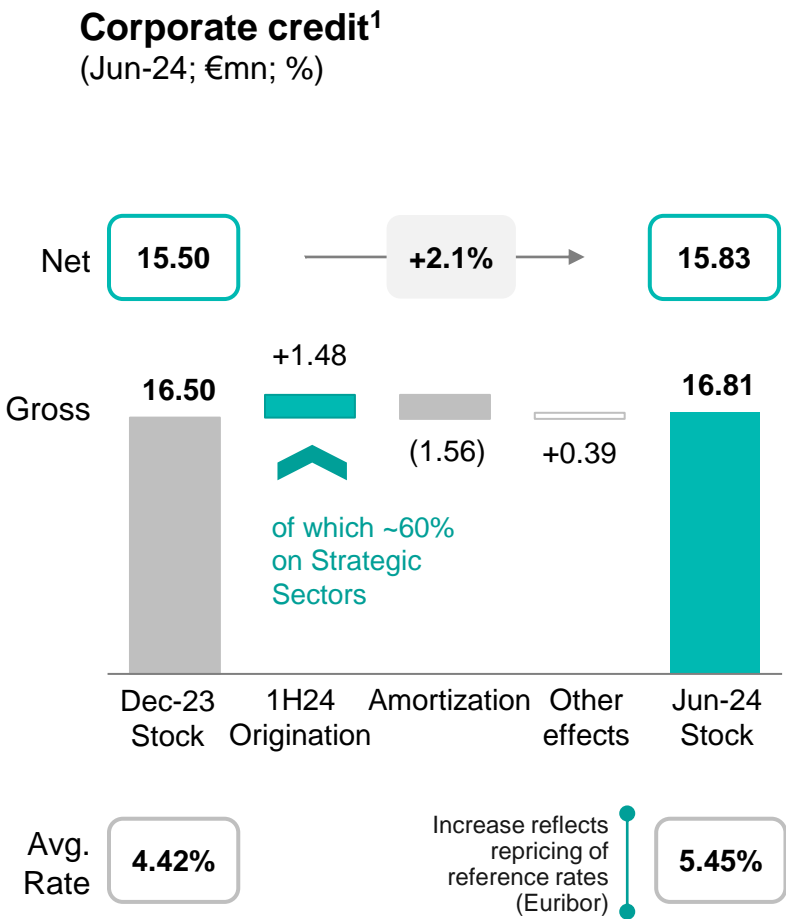


Customer credit: 1H24 Origination

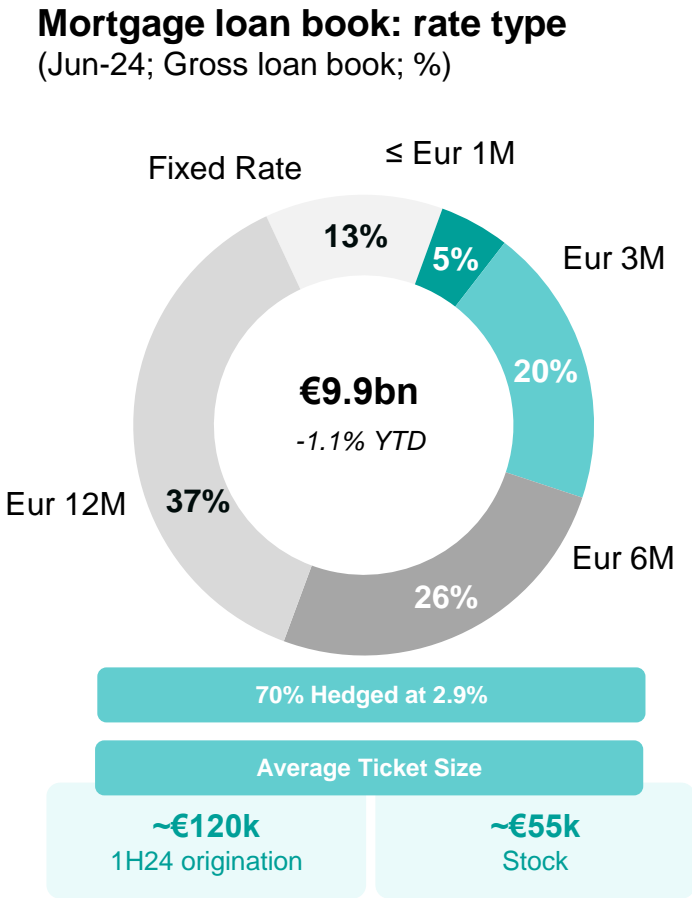
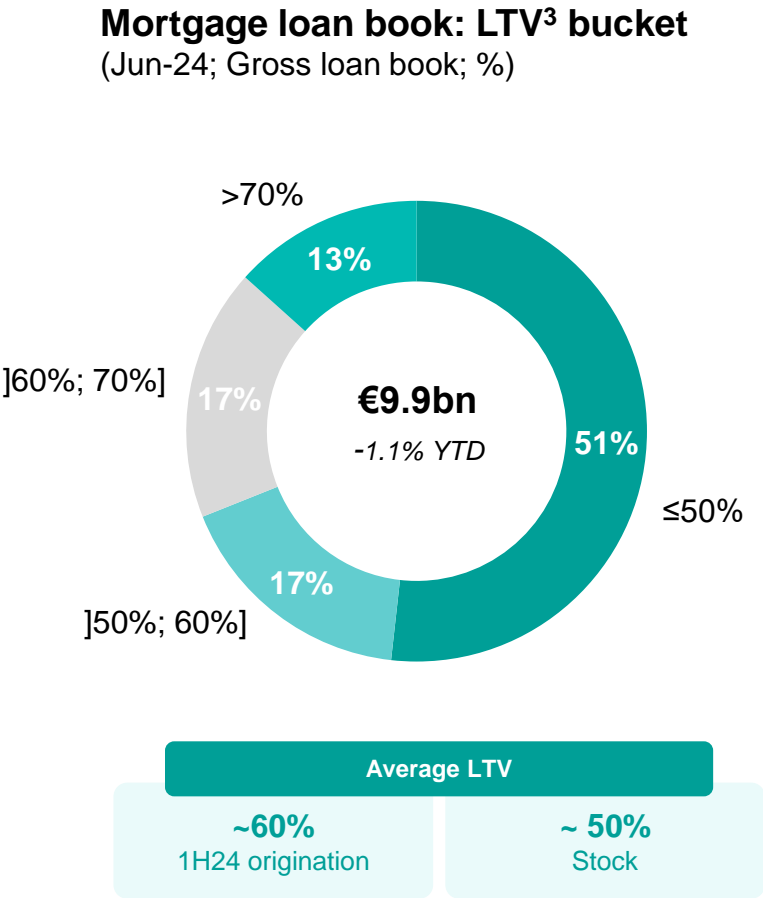
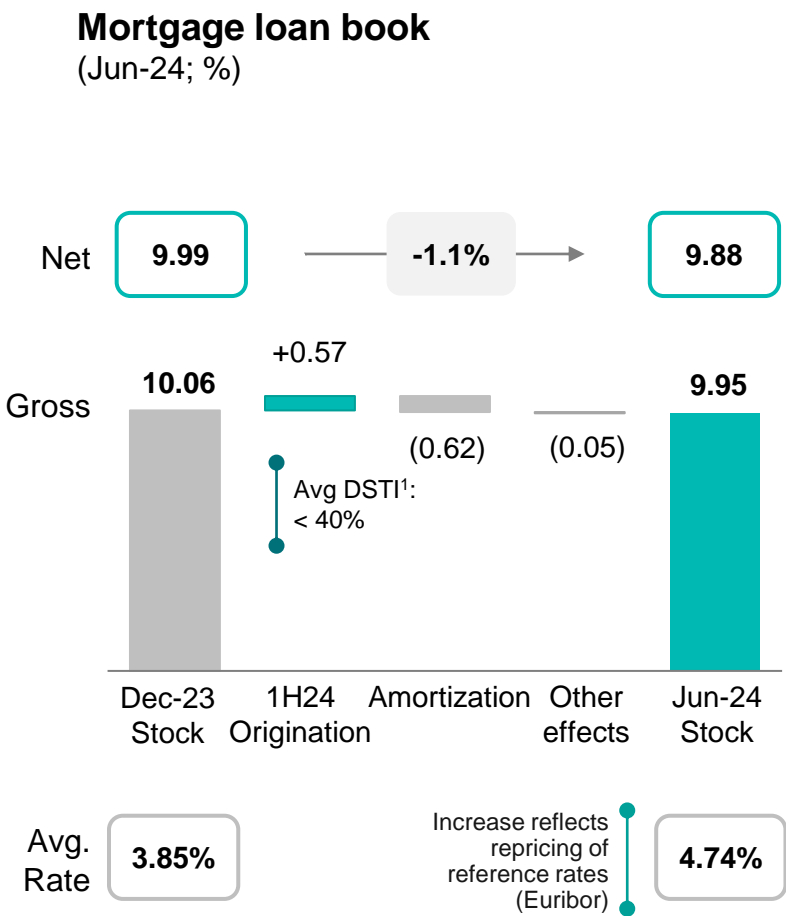
(€bn; %)



A partner of choice for Portuguese companies

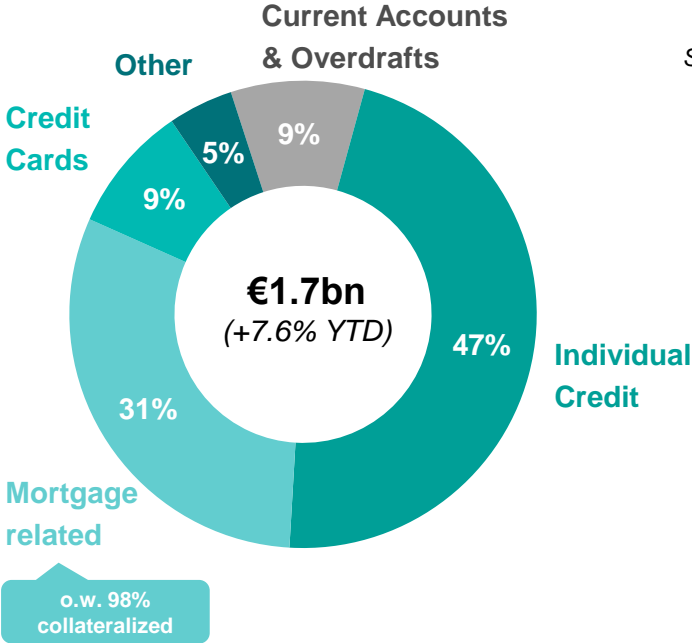


Mortgage loan book stable with prudent underwriting standards

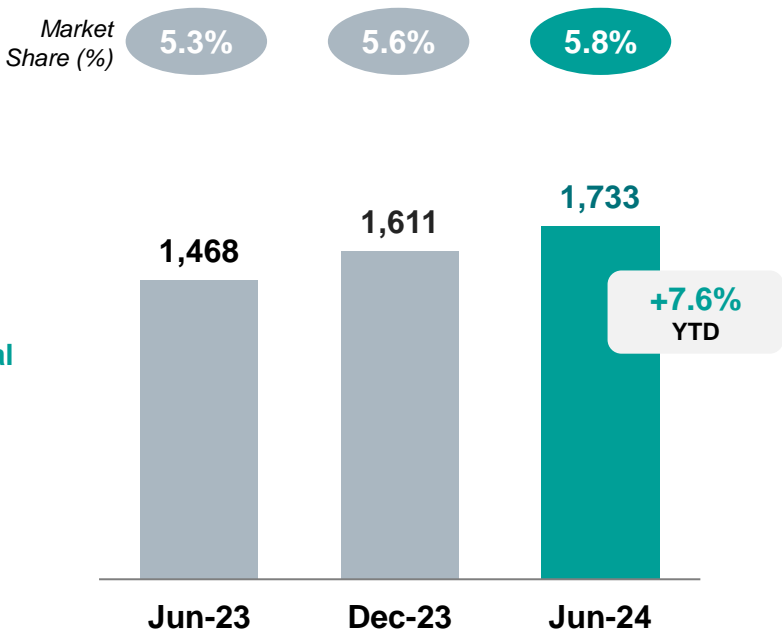


Personal loans business, serving novobanco clients, grew 7.6% YTD

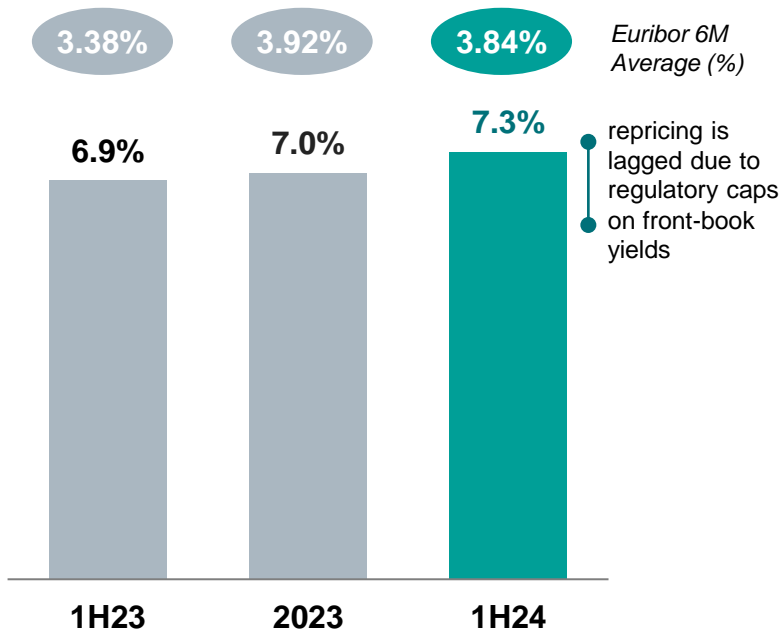
Personal loans & other (%)



Gross Book Value and Market Share (%; €mn)



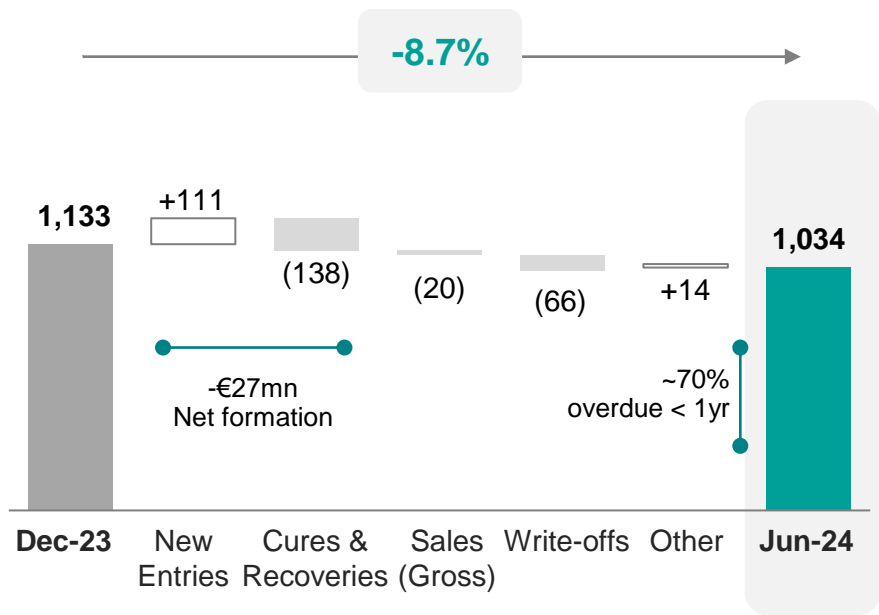
Average interest rate (%)



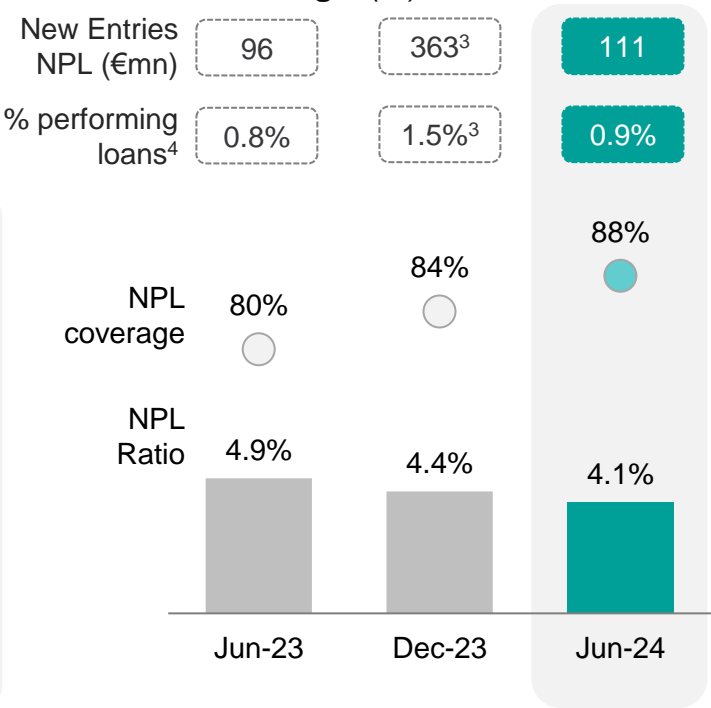
Marginal personal loans NPLs (€0.1bn) highly provisioned with 133% Stage 3 coverage¹ limiting downside risks

Shrinking NPL book and increased coverage ratio

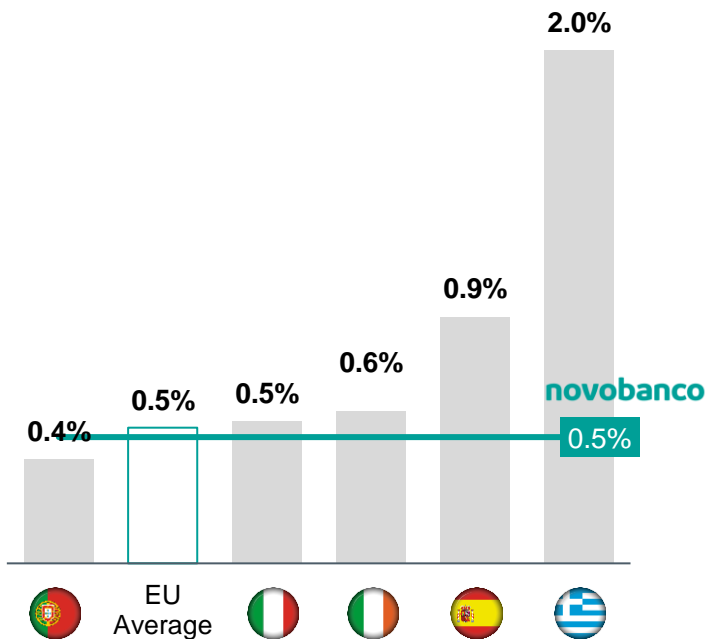
Non-performing Loans
(%; €mn; Gross NPL)



NPL ratio & Coverage¹ (%)

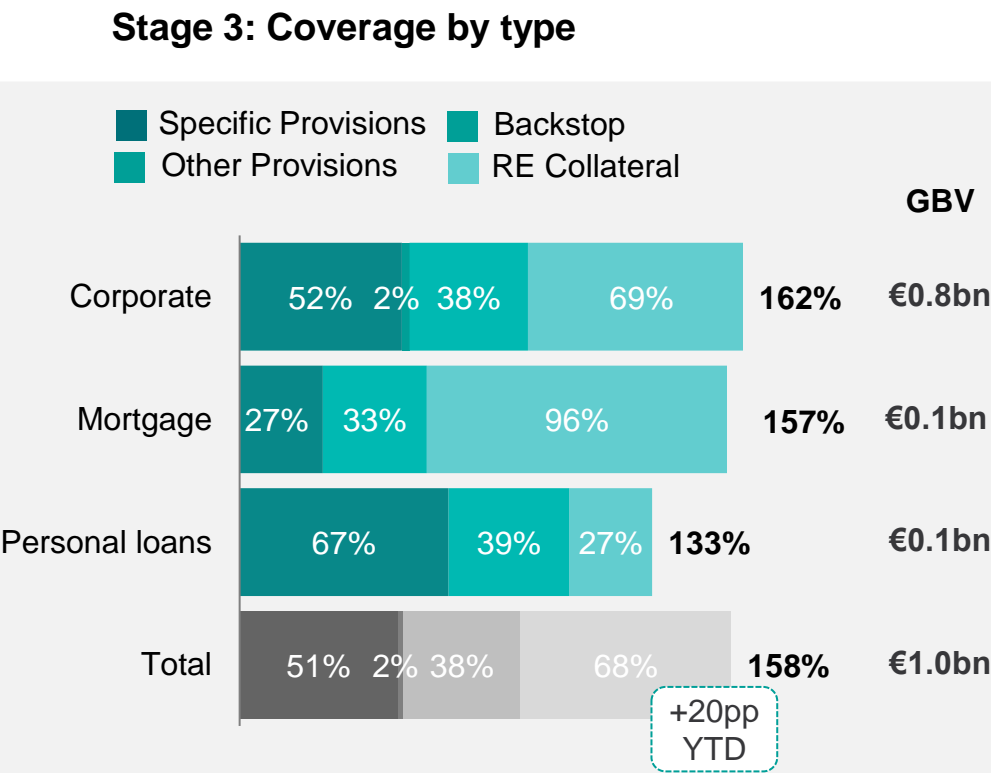
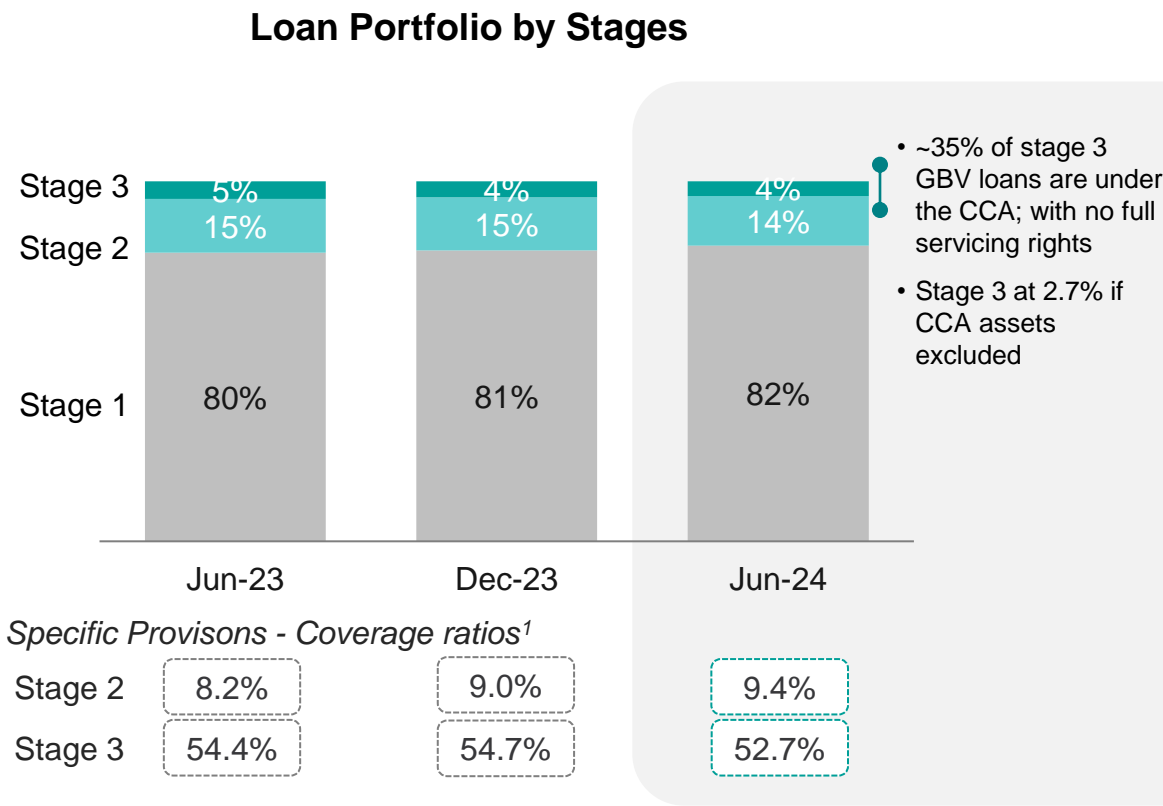


Net NPL ratio vs Peers² (%)



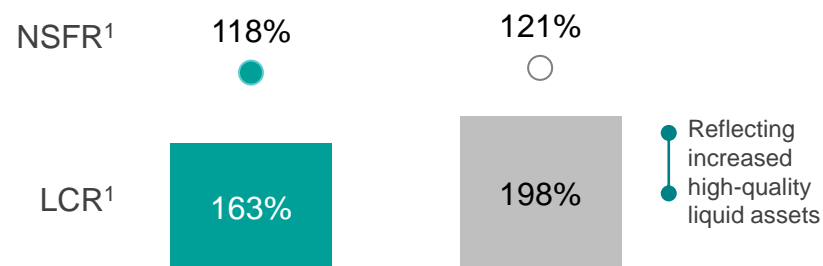
New entries of NPLs at benign levels, with net NPL formation at -€27mn.
Recent NPL reduction benefitting from NPL sales, being capital accretive and demonstrating adequacy of NPL coverage.

Strengthened total stage 3 coverage (+20pp YoY)

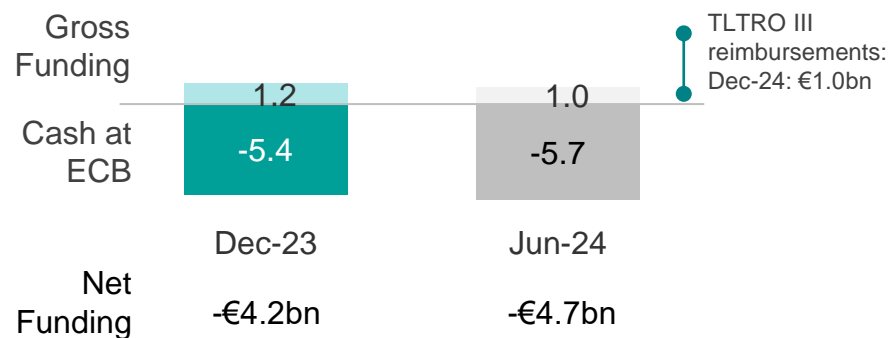


Deposit growth and new issuance bolstering liquidity

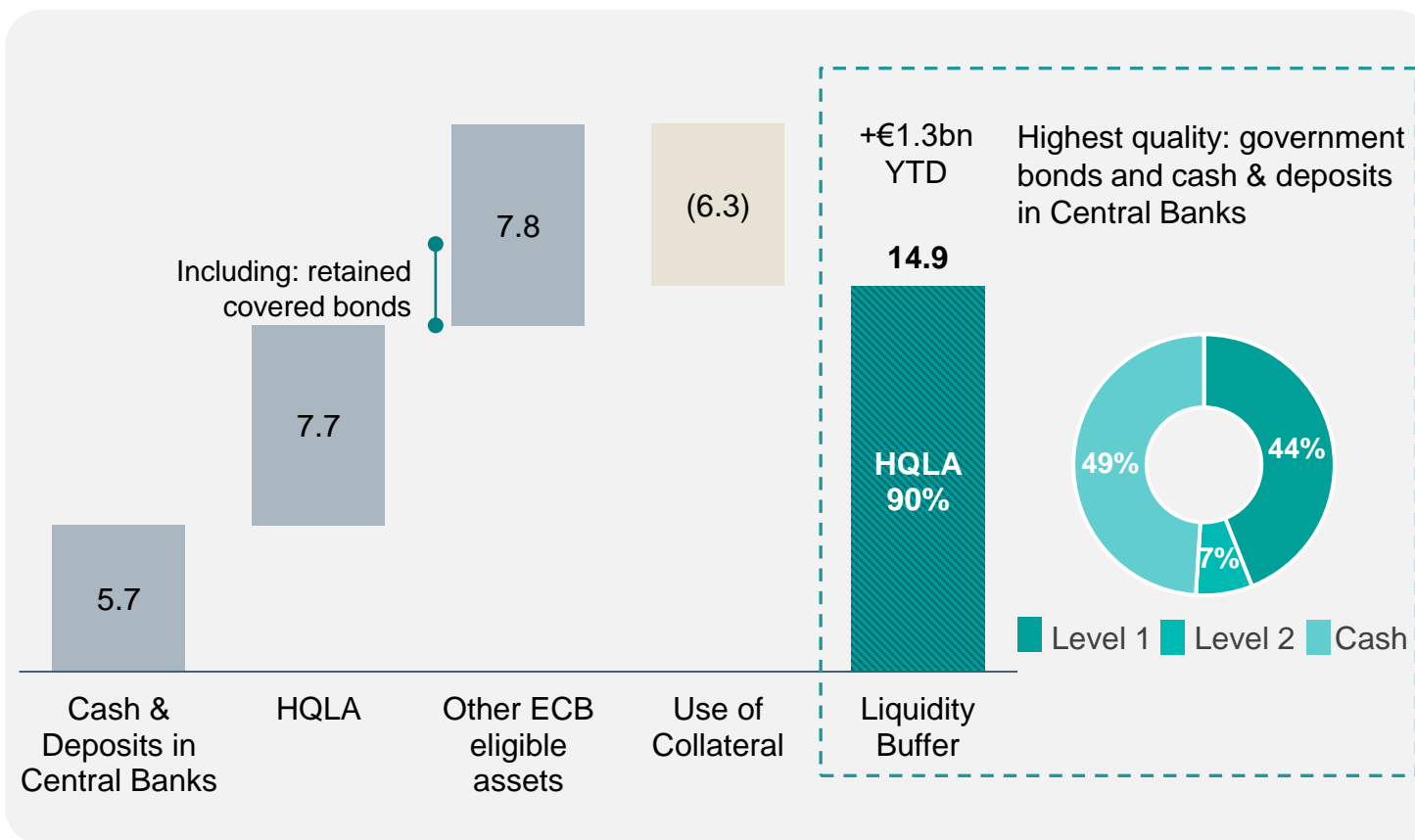
Liquidity Ratios (%)



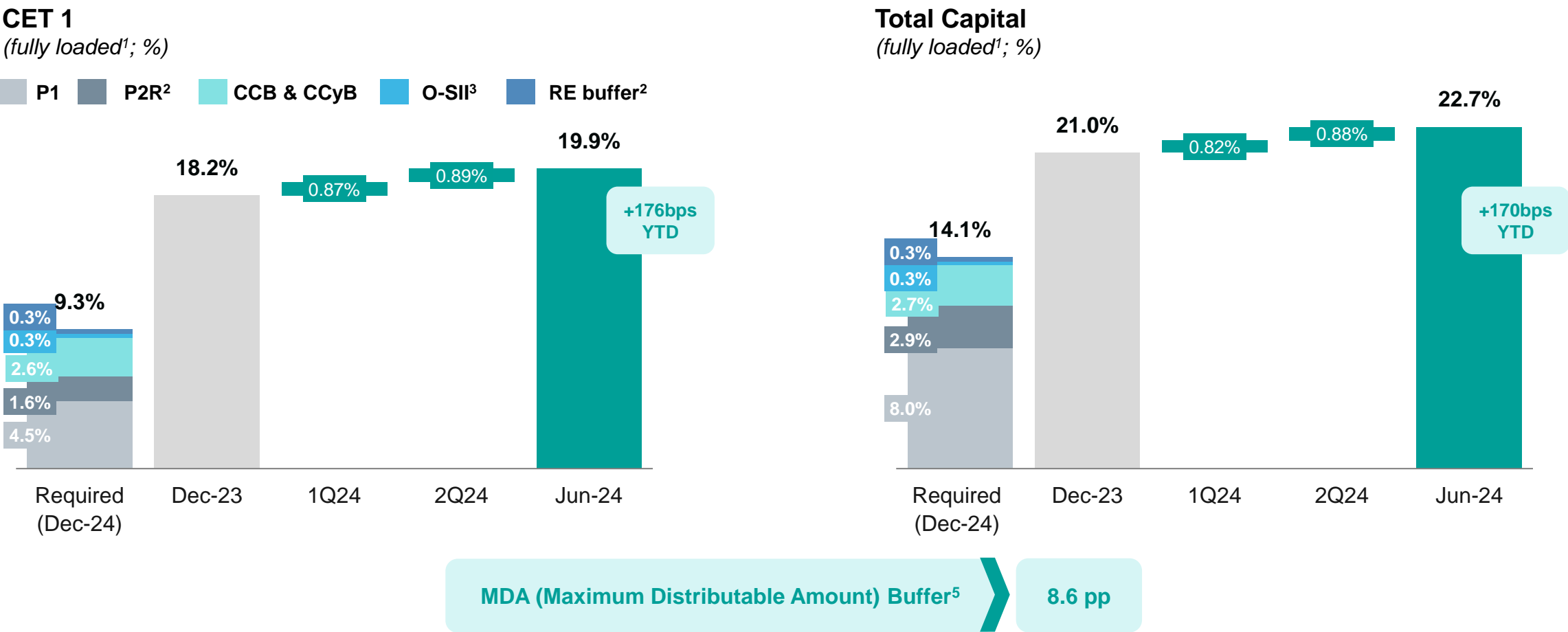
ECB Funding (€bn)



Liquidity Buffer² (€bn)

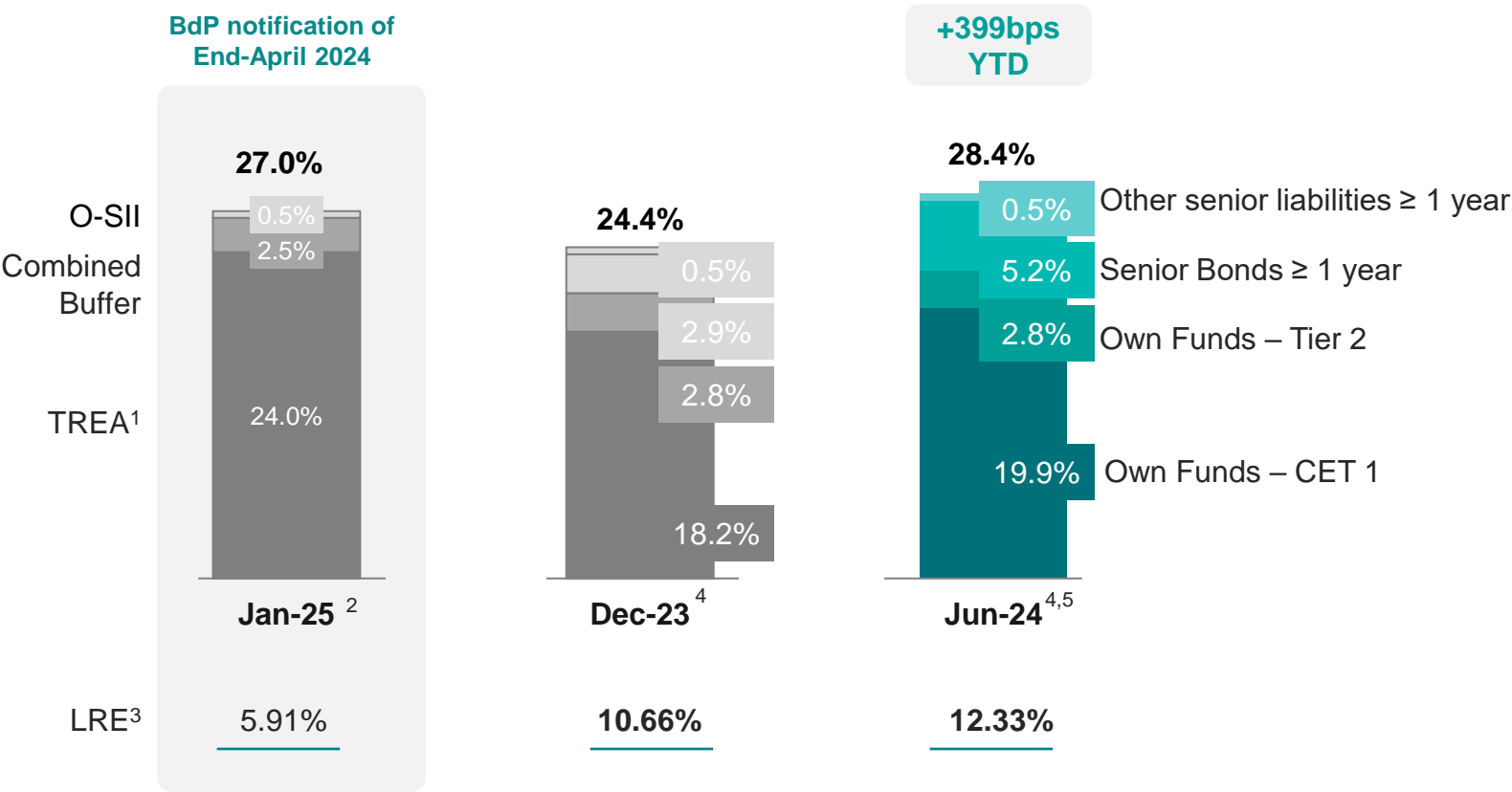


+176bps of CET1 generation YTD, resulting in 8.6% MDA buffer



Compliant with new MREL requirement ahead of schedule

MREL requirements & ratio:
(% RWA; Fully-loaded)



- In line with desire to maintain regular market access, in February 2024, novobanco successfully issued €500mn of Senior Preferred Notes with maturity in March 2028 and an early redemption option in March 2027;
- Novobanco commits to maintain an appropriate buffer over the required end-point MREL requirement (currently at 27.0%);
- As the bank expects to normalise its capital structure, a reduction⁶ of CET1 (19.9% as of Jun/24) would therefore be pre-funded by additional benchmark size MREL eligible instruments.

04.

Final Remarks

Consistent strategy execution and upward revision of 2024 Outlook

	Business	YoY
Clients Base	1.6mn	+7.4%
Business Volume ¹	€57.6bn	+1.6%
Strong returns despite overcapitalised balance sheet	19.9% CET 1 +176bps YTD	17.4% RoTE

	1H24	Initial Outlook	2024 Outlook	
Commercial Banking Income	€756mn	> €1.3bn	> €1.4bn	↑
Cost to Income Ratio	32%	~ 35%	< 35%	↓
Cost of Risk	38bps	< 50ps	< 50ps	✓
Net Income	€370mn	> €650mn	> €700mn	↑

A domestic business focused on growth and value-added products and services, with a simple and low-risk balance sheet and efficient operations, delivering solid profitability and an upwards revision of 2024 Outlook.

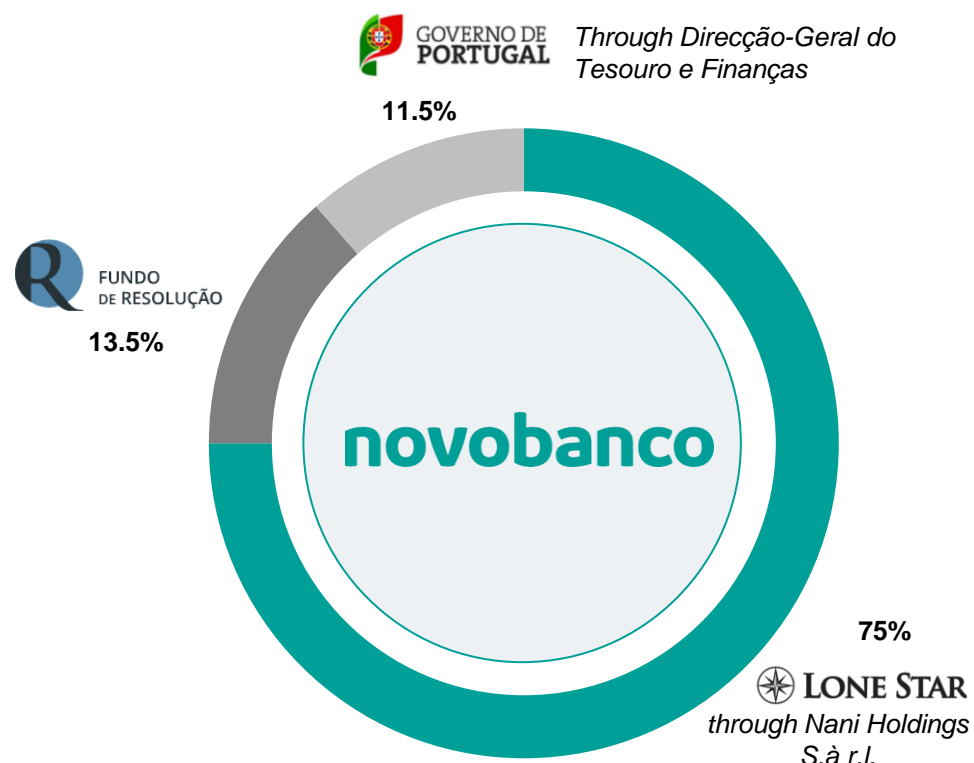
ANNEX



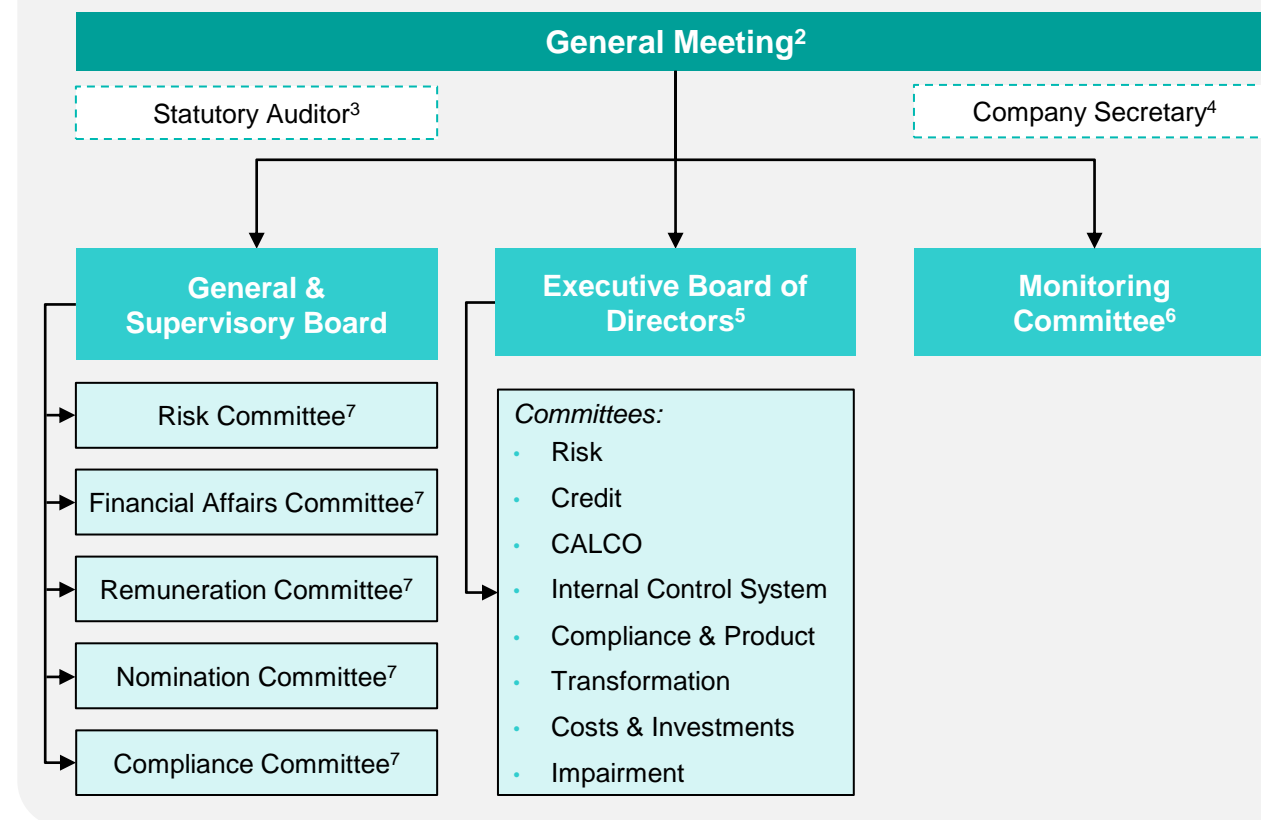
novobanco shareholder structure and governance model

Shareholder structure¹

Following the announcement on 4 June 2024



Governance model



(1) Shareholding following the share capital increase resulting from the exercise of the 2020 DTAs conversion rights – where FdR will hold 16.6% and the subsequent transfer of shares under the agreements entered into between the Resolution Fund and Lone Star in the context of the sale of 75% of the shares of novobanco, where only the Resolution Fund will have its shareholding diluted with the conversion of the conversion rights and Lone Star is to maintain 75% of the share capital of Novo Banco; (2) GSB members are elected by the shareholders; (3) Elected by the General Meeting upon a proposal of the General and Supervisory Board; (4) The General and Supervisory Board is consulted prior to any proposal of the Executive Board of Directors related to the appointment of the Company Secretary and Alternate Secretary; (5) EBD members are elected by GSB; (6) The Monitoring Committee is composed of three members. The Monitoring Committee is an advisory body for the purposes of the Contingent Capital Agreement entered into between the Company and the Resolution Fund and is in place until termination of the CCA; (7) The Special Committees are composed of members of the General and Supervisory Board. The General and Supervisory Board sets up, appoints the members and approves the internal rules of the Special Committees

Income Statement – Quarterly data

(€ million)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	▲ €mn YoY	▲ % YoY
Net Interest Income	219.5	246.3	277.7	307.2	311.4	299.0	295.9	+18.2	+6.6%
Fees and Commissions	77.6	68.9	76.4	71.8	79.0	75.0	86.2	+9.7	+13%
Commercial Banking Income	297.2	315.3	354.1	378.9	390.4	374.0	382.1	+28.0	+8%
Capital markets Results	(44.2)	5.8	22.2	11.3	(24.6)	(3.5)	(1.1)	(23.3)	(105%)
Other Operating Results	22.3	2.4	(7.4)	19.5	(25.6)	1.1	0.4	+7.8	(106%)
Banking Income	275.3	323.5	368.9	409.7	340.2	371.6	381.4	+12.5	+3%
Operating Costs	134.1	111.9	113.2	114.5	139.6	119.0	123.7	+10.5	+9%
Staff Costs	63.9	58.3	62.3	63.2	68.9	63.3	68.3	+6.0	+10%
General and Administrative Costs	47.1	43.8	40.8	41.7	56.5	44.4	44.0	+3.2	+8%
Depreciation	23.1	9.8	10.1	9.6	14.1	11.3	11.4	+1.3	+13%
Net Operating Income	141.1	211.6	255.8	295.2	200.6	252.6	257.7	+1.9	+1%
Net Impairments and Provisions	88.7	27.7	28.3	25.8	92.1	27.9	59.9	+31.6	+112%
Credit	29.7	30.0	28.6	26.2	58.1	24.4	28.8	+0.2	+1%
Securities	59.0	(2.3)	(0.3)	(0.4)	34.0	3.5	31.1	+31.4	n.m.
Income before Taxes	52.4	183.9	227.5	269.4	108.5	224.7	197.8	(29.6)	(13%)
Corporate Income Tax	(81.1)	0.7	0.8	1.0	3.2	10.5	7.2	+6.4	+763%
Special Tax on Banks	-	34.1	0.0	1.1	-	32.2	-	n.m.	n.m.
Income after Taxes	133.6	149.0	226.6	267.3	105.3	182.0	190.6	(36.0)	(16%)
Non-Controlling Interests	1.1	0.7	1.8	2.0	0.7	1.3	0.9	(0.8)	(47%)
Net Income for the period	132.5	148.4	224.8	265.3	104.6	180.7	189.7	(35.1)	(16%)

Balance Sheet

(€ thousands)	Dec-23	Jun-24
Cash, cash balances at central Banks and other demand deposits	5,867,189	6 014 336
Financial assets held for trading	436,148	788 740
Financial assets mandatorily at fair value through profit or loss	264,912	241 078
Financial assets designated at fair value through profit or loss	0	0
Financial assets at fair value through profit or loss, or through other comprehensive income	838,523	1 968 275
Financial assets at amortised cost	32,452,537	32 770 811
Debt securities	7,870,536	8 233 852
Loans and advances to credit institutions	47,940	78 613
Loans and advances to customers	24,534,061	24 458 346
Derivatives – Hedge accounting	683,063	641 576
Fair value changes to the hedged items in portfolio hedge of interest rate risk	-83,498	-100 684
Investments in subsidiaries, joint ventures and associates	59,511	56 744
Tangible assets	757,549	782 934
Tangible fixed assets	363,754	410 490
Investment properties	393,795	372 444
Intangible assets	86,748	93 023
Tax assets	931,036	956 525
Current tax assets	29,376	29 239
Deferred tax assets	901,660	927 286
Other assets	1,117,258	898 269
Non-current assets and disposal groups classified as held for sale	89,814	29 542
Total Assets	43,500,790	45,141,169

	Dec-23	Jun-24
Financial liabilities held for trading	100,639	98,068
Financial liabilities measured at amortised cost	37,330,355	38,805,437
Due to Banks	5,745,326	5,121,756
Due to customers	29,984,273	31,072,554
Debt securities issued and subordinated debt and liabilities associated with transferred assets	1,107,585	2,108,922
Other financial liabilities	493,171	502,205
Derivatives – Hedge accounting	124,729	134,312
Fair value changes of the hedged items in portfolio hedge of interest rate risk	62,049	42,832
Provisions	430,829	429,526
Tax liabilities	10,808	12,635
Current tax liabilities	10,808	12,635
Deferred tax liabilities	0	0
Other liabilities	1,005,846	955,645
Liabilities included in disposal groups classified as held for sale	13,107	12,035
Total Liabilities	39,078,362	40,490,490
Capital	6,567,844	3,345,000
Other comprehensive income – accumulated	-1,070,125	-1,160,372
Retained earnings	-8,577,074	13,814
Other reserves	6,736,004	2,080,192
Profit or loss attributable to parent company shareholders	743,088	370,340
Minority interests (Non-controlling interests)	22,691	23,069
Total Equity	4,422,428	4,672,043
Total Liabilities and Equity	43,500,790	45,141,169

A Portuguese universal bank, serving corporate and retail segments

€ million	Retail			SMEs and corporate			Support Functions			Total		
	30-Jun-23	30-Jun-24	▲ €mn	30-Jun-23	30-Jun-24	▲ €mn	30-Jun-23	30-Jun-24	▲ €mn	30-Jun-23	30-Jun-24	▲ €mn
Commercial Banking Income	383	478	95	303	292	-11	-17	-14	3	669	756	87
Banking Income	385	479	94	307	293	-14	0	-19	-19	692	753	61
Operating Costs	152	163	11	46	52	6	27	28	1	225	243	18
Net Operating Income	233	316	83	261	242	-20	-27	-47	-20	467	510	43
Net Impairments and Provisions	17	27	10	43	29	-14	-4	31	35	56	88	32
Income before Taxes	216	289	73	218	212	-6	-23	-78	-55	411	423	11
Total Assets	14,525	14,562	37	14,347	14,310	-37	15,029	16,269	1,240	43,900	45,141	1,241
Customer Loans (net)	13,399	13,390	-9	13,908	13,921	13	14	9	-5	27,321	27,320	-1
Net Interest margin	2.67%	3.41%	0.74pp	3.67%	3.42%	-0.26pp	-0.26%	-0.30%	-0.04pp	2.50%	2.83%	0.34pp
Commercial Cost to Income	39.6%	34.0%	-5.59pp	15.2%	17.7%	2.49pp	-	-	-	33.6%	32.1%	-1.53pp

Retail - Corresponds to all the activity developed with private customers and small businesses, along with the fully consolidated operating subsidiaries novobanco Açores, BEST and GNBGA. The financial information of the segment relates, amongst other products and services, to mortgage loans, consumer credit, small business financing, deposits, retirement plans and other insurance products sold to private customers, account management and electronic payments and placement of investment funds, brokerage and custodian services.

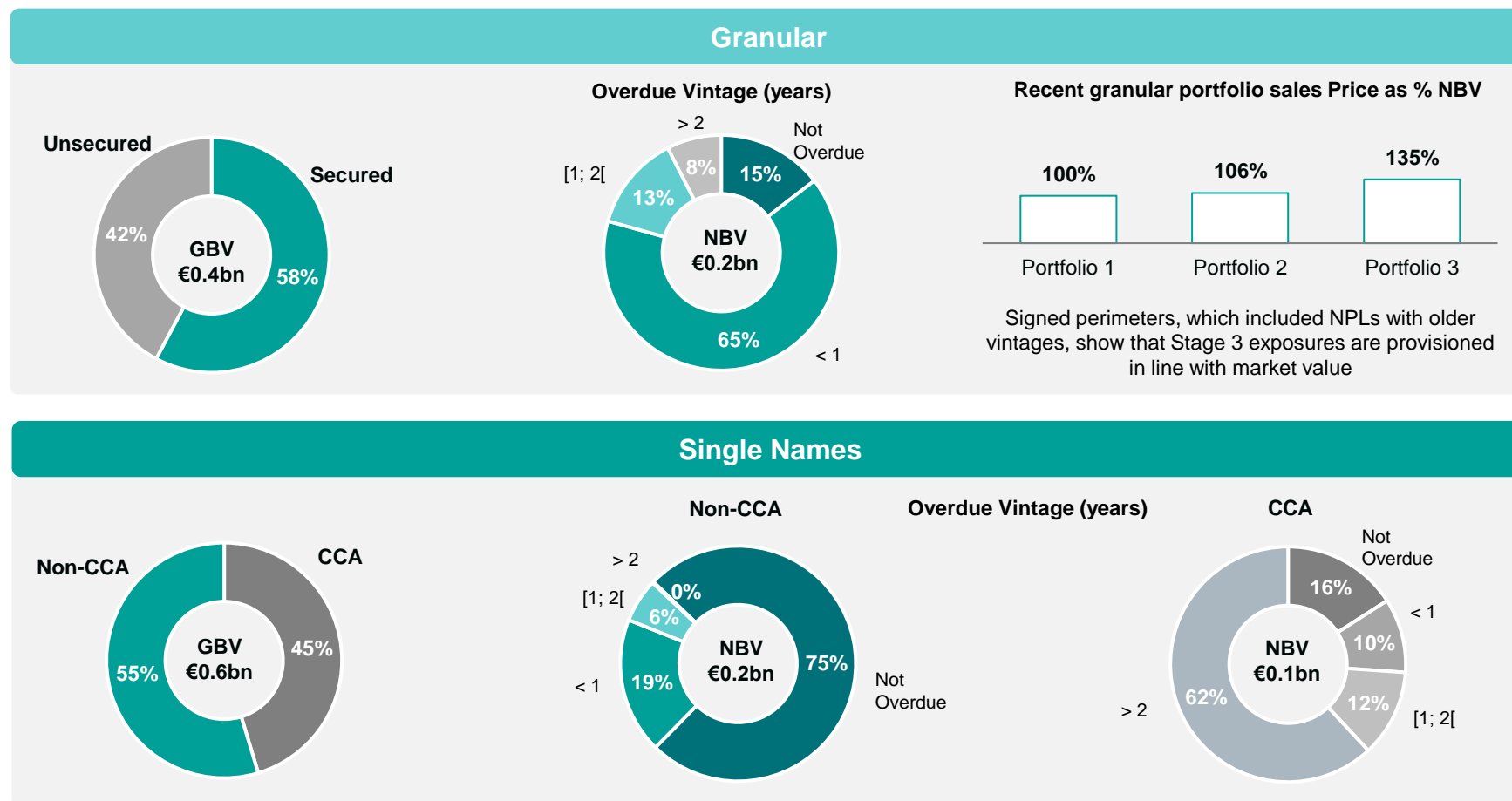
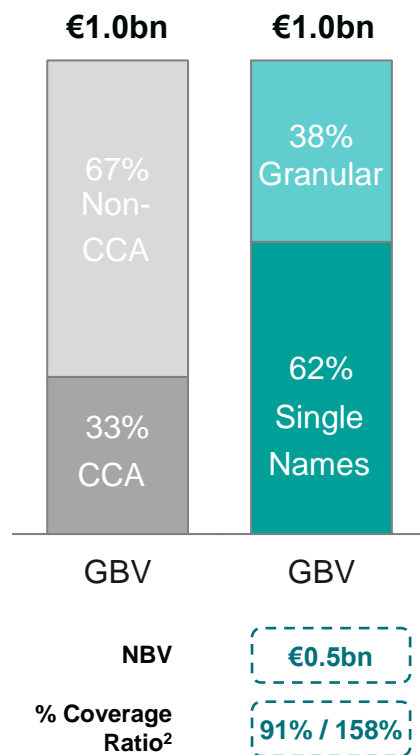
Corporate - Includes the activities developed with medium and large-sized companies, developed through a commercial structure dedicated to this segment, which includes 20 Corporate Centres. This segment also includes activities with institutional and municipal customers. The Group maintains an important presence in this segment, the result of the support it has lent to the development of the national business community, focused on companies with good risk, an innovative nature and an exporter activity.

Support Functions - This area does not correspond to an operational segment in the true sense of the concept, it is an aggregation of transversal corporate structures that ensure the basic functions of the Group's global management, including Treasury and Real Estate assets.

>70%¹ of Stage 3 with overdue less than 1 year, with exposures provisioned in line with market value

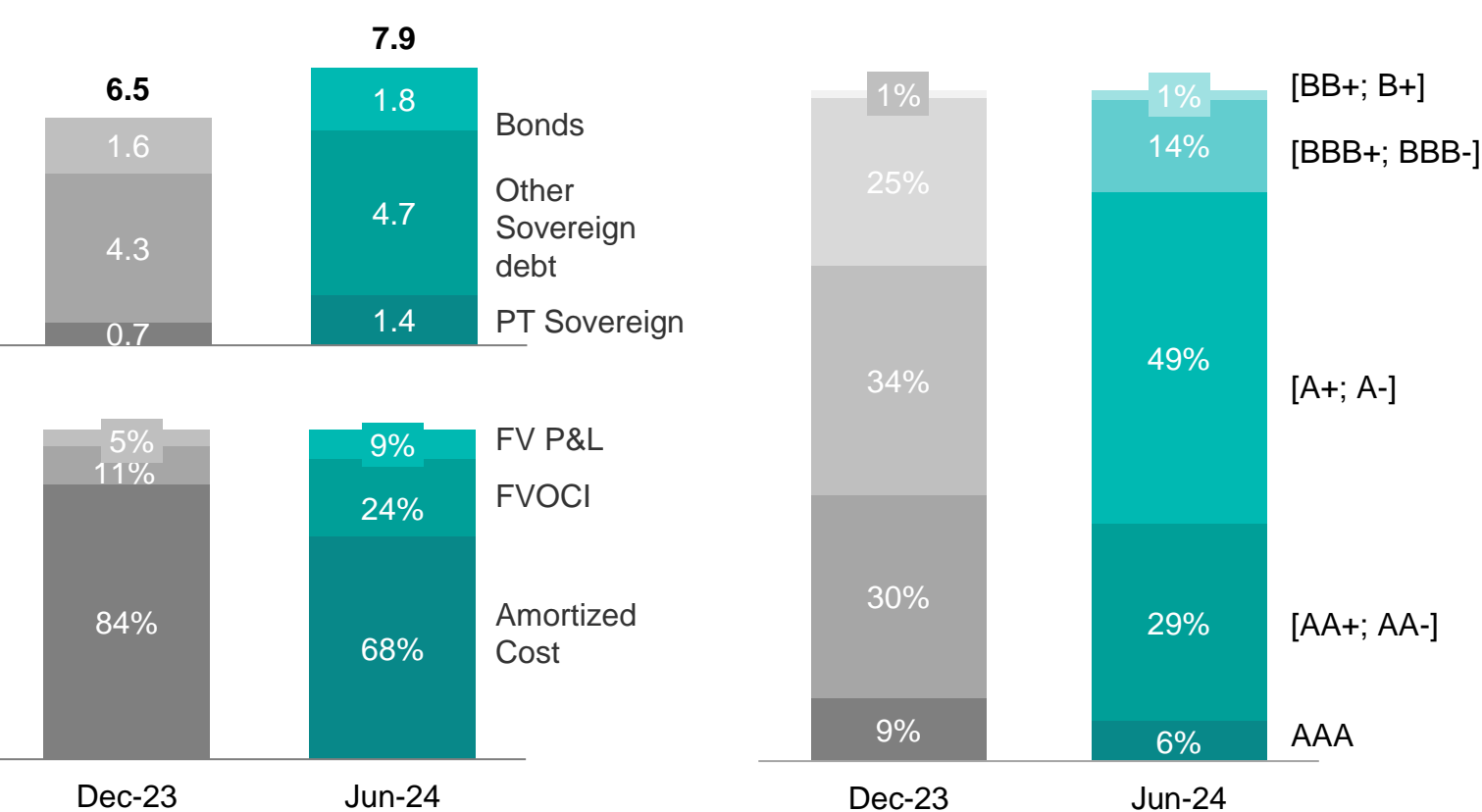
Total Stage 3 Loans

(Jun-24; %)



Securities - ALM Portfolio - an investment grade portfolio of €7.9bn

ALM Portfolio
(€bn)

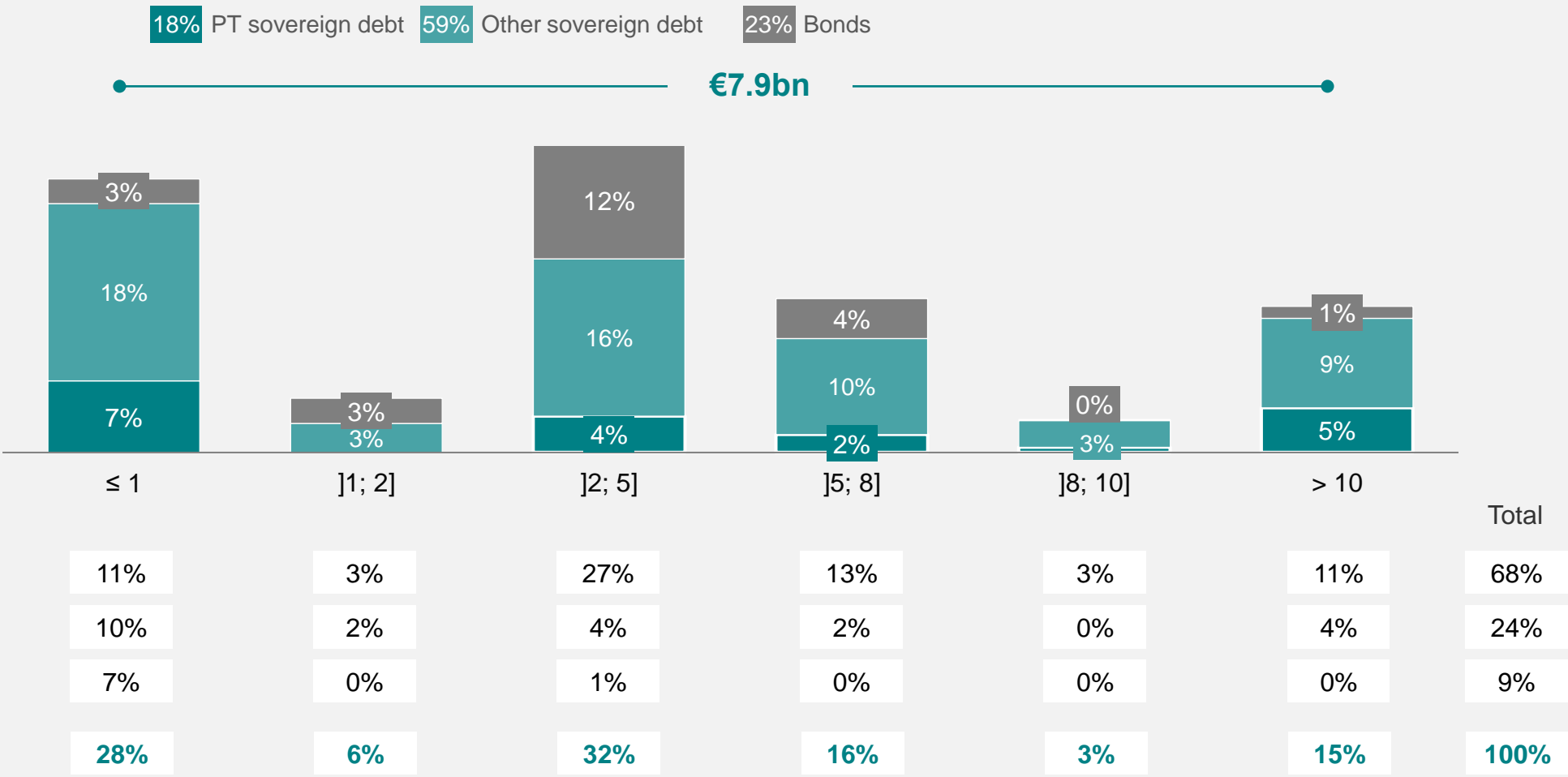


	Total	vs Dec/23
Amount (€bn)	7.9	+1.4
Duration ¹ (years)	3.1	-0.7
Yield ¹ (%)	3.44	-8bps

	Jun/24
Unrealised MtM losses ² (€mn)	180
ALM Portfolio/ Total Assets (%)	18
ALM Portfolio/ Total Equity (x)	1.7

Securities - ALM Portfolio

By Maturity
(Jun-24; €mn; %)



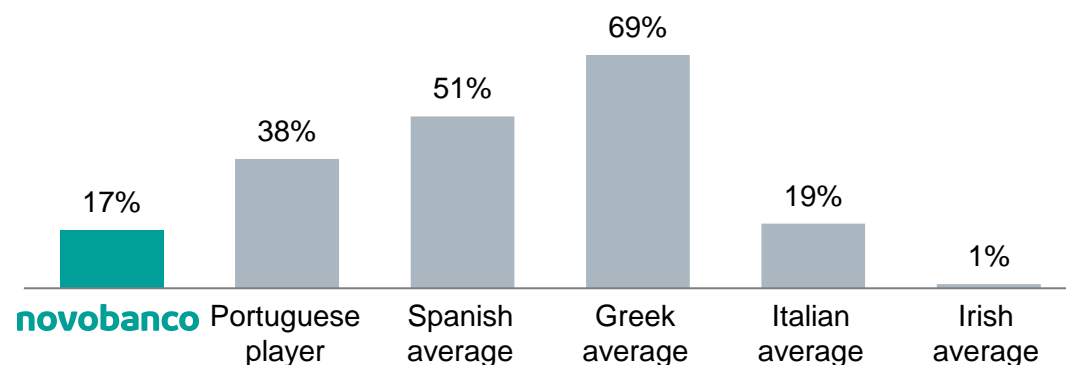
Deferred Tax Assets

(€ millions)	Dec-23	Jun-24	Of which in CET 1
Total DTAs on Balance Sheet	902	927	718
Timing-Difference DTAs – Special Regime ⁽¹⁾	297	297	297
Timing-Difference DTAs – other	471	458	421
Tax Losses carried forward (TLCF)	134	172	-
Off-Balance Sheet	1 546	1 479	-
Timing-Difference DTAs	185	140	-
Tax Losses carried forward (TLCF)	1 361	1 339	-

- Tax losses carried forward are recognised to the extent they are expected to be recovered with future taxable income;
- novobanco conservatively assesses the recoverability of tax losses carried forward considering its projected taxable income over a 5 year period, assuming average of base case and stressed cases of the business plan;
- Considering €700mn PBT, TLCF to be fully utilized over a period of ~14 years. €800mn PBT accelerates utilization by c. 2 years;
- €899mn of off-balance sheet Tax losses carried forward have no maturity date.

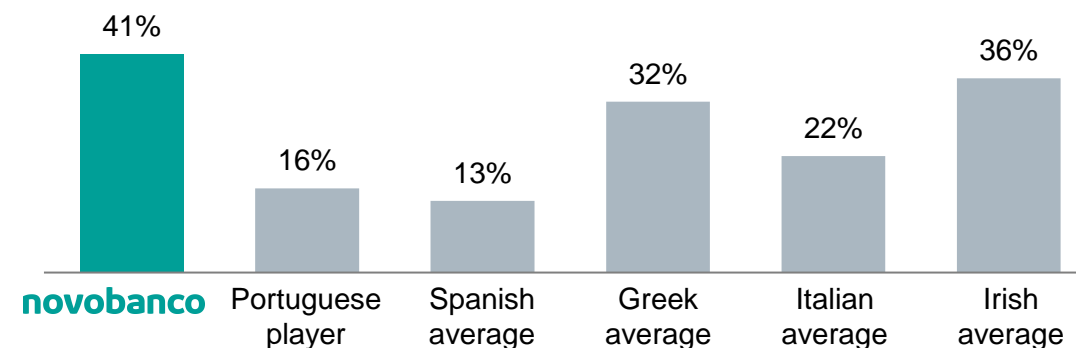
CET 1 eligible DTAs as % of CET1

(%²)



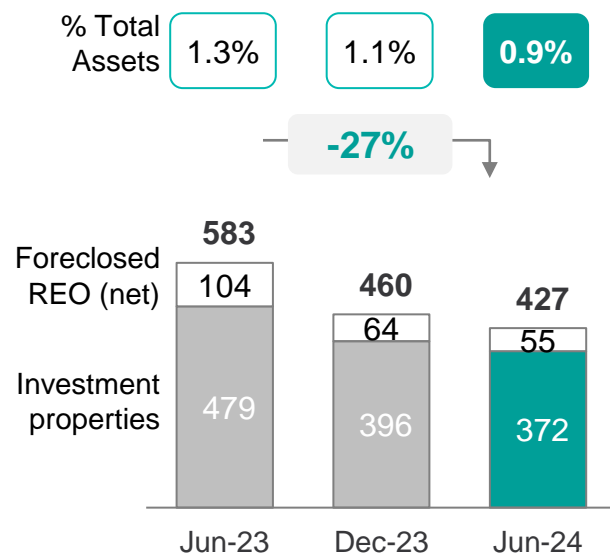
Non-CET 1 eligible DTAs (including off BS) as % of CET 1

(%²)

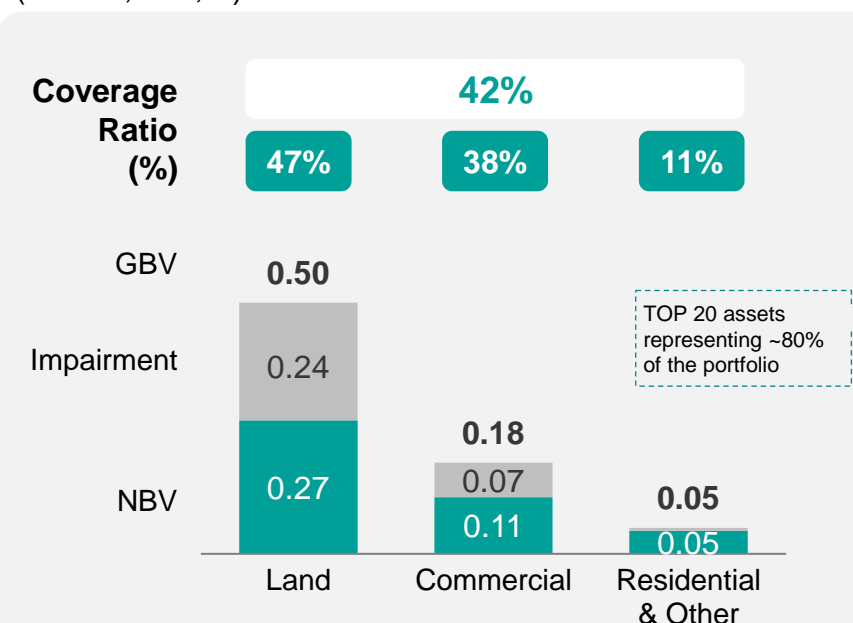


Further disposals decreasing RE exposure to €427mn (-27% YoY)

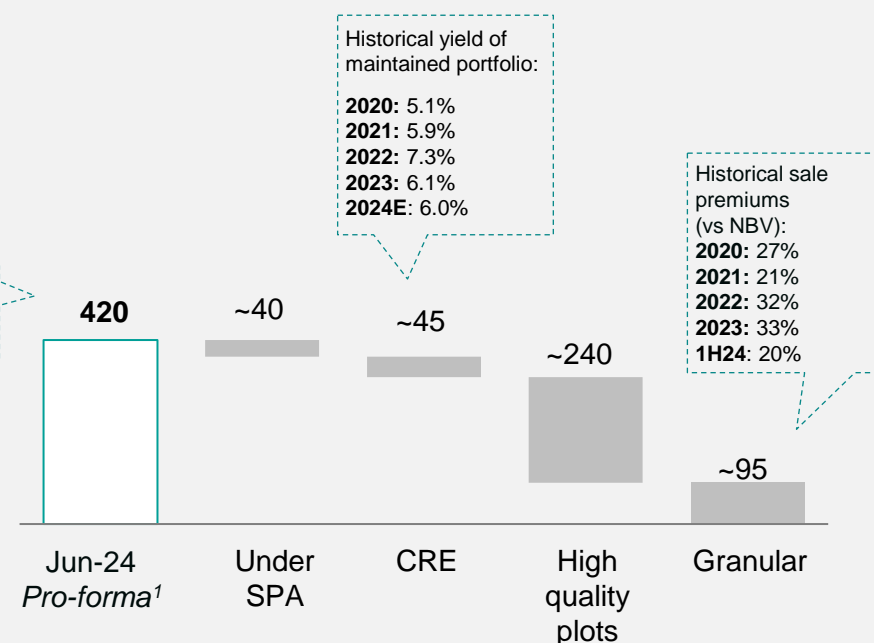
Real Estate Exposure (€mn NBV)



RE: Coverage by Asset Type (Jun-24; €bn; %)



RE: breakdown (€million; %)



Coverage is supported by a robust appraisal policy, individual asset reviews, market pricing (bids received) and yield performance.

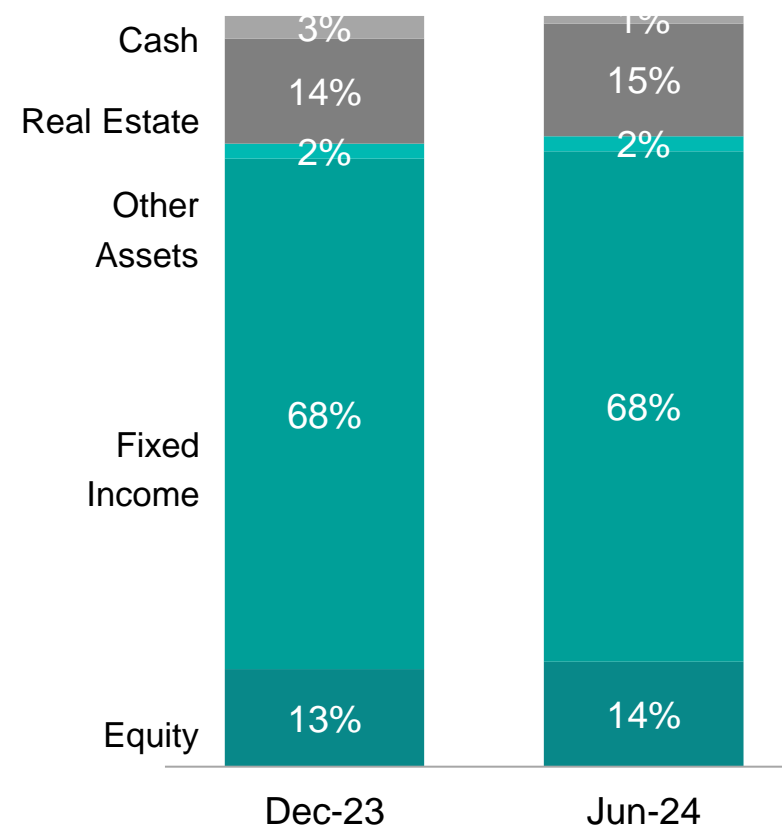
Pension Funds

Key Figures (€ Millions)	Dec-22	Dec-23	Jun-24
Retirement Pension Liabilities	1 419	1,597	1,552
Fund Assets	1 478	1,616	1,556
Liabilities Coverage	104%	101%	100%

Actuarial Assumptions	Dec-22	Dec-23	Jun-24
Project rate of return on plan assets	4.00%	3.45%	3.80%
Discount rate	4.00%	3.45%	3.80%
Pension increase rate	0.75%	0.75%	0.75%
Salary increase rate	1.00%	1.00%	1.00%
Mortality table men	TV 88/90	TV 88/90	TV 88/90
Mortality table women	TV 88/90-3 yrs	TV 88/90-3 yrs	TV 88/90-3 yrs

Pension Fund Portfolio

(Jun-24)



Bonds outstanding and MREL eligibility

€mn; Jun-24

Description	ISIN	Currency	Outstanding Notional Value	Issue Date	Book Value ¹	Maturity	MREL
Covered							
NOVBNC 3.25% 01/03/27	PTNOBFOM0009	EUR	500	Mar-24	499	Mar-27	N
Senior							
NOVBNC 5.5% 30/12/24	PTNOBKOM0002	EUR	100	Dec-22	101	Dec-26	Y
NOVBNC 4.25% 08/03/28	PTNOBIOM0006	EUR	500	Mar-24	501	Mar-28	Y
Subordinated							
NOVBNC 9.875% 01/12/33	PTNOBLOM0001	EUR	500	Jun-23	514	Dec-33	Y
Total 2043 Bonds							
BES Luxembourg 3.5% 02/01/43	XS0869315241	EUR	64	Jan-13	42	Jan-43	Y
BES Luxembourg 3.5% 23/01/43	XS0877741479	EUR	131	Jan-13	97	Jan-43	Y
BES Luxembourg 3.5% 19/02/2043	XS0888530911	EUR	97	Feb-13	63	Feb-43	Y
BES Luxembourg 3.5% 18/03/2043	XS0897950878	EUR	70	Mar-13	47	Mar-43	Y
Total Zero Coupons (ex EMTN 57)							
BES Luxembourg ZC	XS0972653132	EUR	185	Oct-13	39	Oct-48	Y
Banco Esp San Lux ZC 12/02/49	XS1031115014	EUR	245	Feb-14	47	Feb-49	Y
Banco Esp San Lux ZC 19/02/49	XS1034421419	EUR	69	Feb-14	13	Feb-49	Y
Banco Esp San Lux ZC 27/02/51	XS1038896426	EUR	108	Feb-14	18	Feb-51	Y
BES Luxembourg ZC 06/03/2051	XS1042343308	EUR	76	Mar-14	13	Mar-51	Y
BES Luxembourg ZC 03/04/48	XS1053939978	EUR	220	Apr-14	44	Apr-48	Y
BES Luxembourg ZC 09/04/52	XS1055501974	EUR	264	Apr-14	42	Apr-52	Y
BES Luxembourg ZC 16/04/46	XS1058257905	EUR	37	Apr-14	8	Apr-46	Y
EMTN 57	XS0439764191	EUR	8	Jul-09	2	Jul-44	N
Total MREL			2,666		1,590		

2043 Bonds and Zero Coupons (excluding EMTN 57):

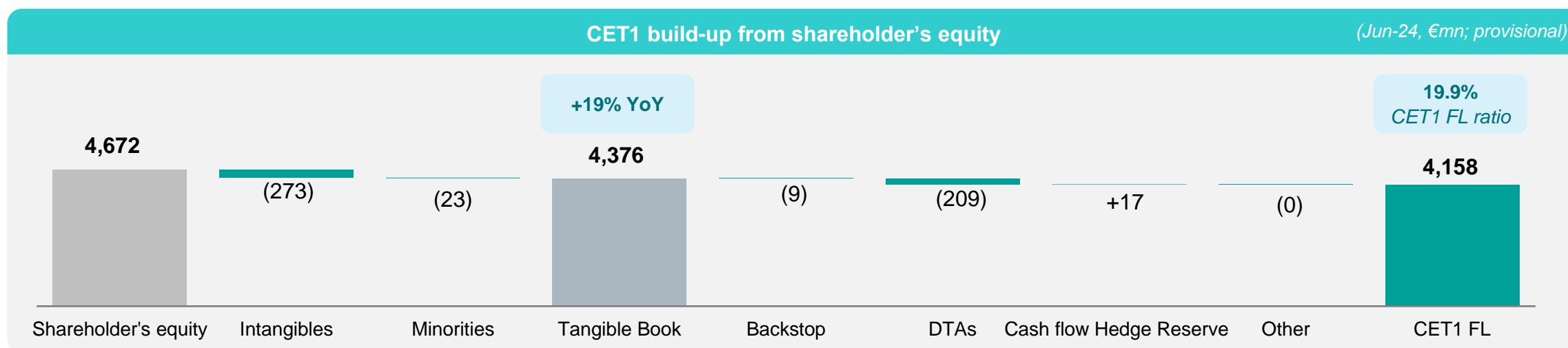
- Are fully eligible for compliance with the Bank's MREL requirements as they were issued before BRRD transposition in Portugal and do not cease to qualify as eligible liabilities of the Bank from 28 June 2025²
- Annual accrual of book value to notional value to increase contribution to MREL by c.€19mn per annum
- Annual interest expense of 6.6% on book value or ~2.5% net of hedge to close interest rate position³

Capital ratios

								€mn
CAPITAL RATIOS (CRD IV/CRR) Fully Loaded		31-Dec-22	31-Mar-23	30-Jun-23	30-Sep-23	31-Dec-23	31-Mar-24	30-Jun-24
Risk Weighted Assets	(A)	21 233	21,197	21,475	21,328	20,399	20,779	20,883
Own Funds								
Common Equity Tier 1	(B)	2 787	2,996	3,241	3,524	3,703	3,952	4,158
Tier 1	(C)	2 789	2,998	3,243	3,526	3,705	3,953	4,160
Total Own Funds	(D)	3 279	3,489	3,832	4,115	4,280	4,529	4,736
Common Equity Tier 1 Ratio	(B/A)	13.1%	14.1%	15.1%	16.5%	18.2%	19.0%	19.9%
Tier 1 Ratio	(C/A)	13.1%	14.1%	15.1%	16.5%	18.2%	19.0%	19.9%
Total Capital	(D/A)	15.4%	16.5%	17.8%	19.3%	21.0%	21.8%	22.7%
Leverage Ratio		5.8%	6.4%	7.1%	7.9%	7.9%	8.2%	8.7%

A strong regulatory capital position, 19.9% CET1 FL ratio (+176bps YTD)

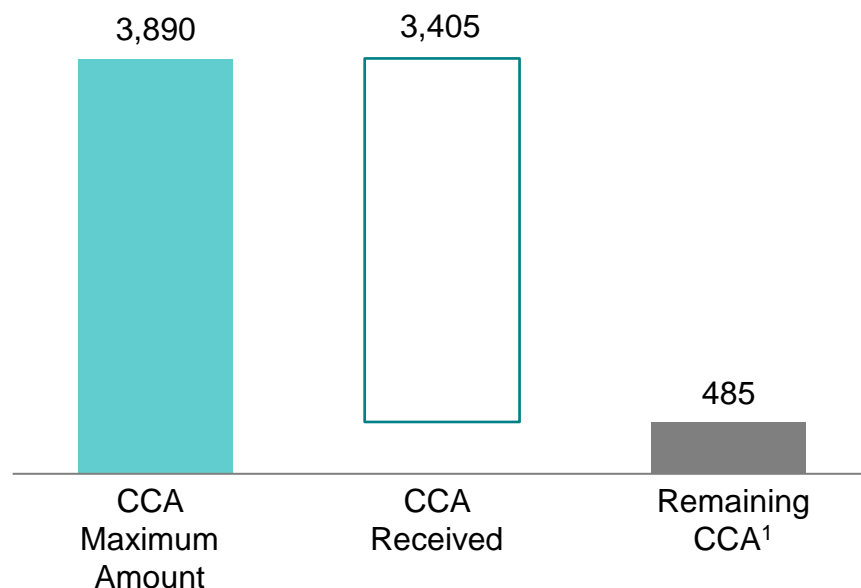
Capital Reorganization					(as announced on Jun-24)
	Jun-24 Pre-reorganization	Re-allocation of free reserves	Capital reduction	DTAs conversion	Jun-24 Reported
Share Capital	6 568		-3 352	129	3 345
Revaluation reserves	-1 144				-1 144
Legal Reserves	162		481		643
Other reserves and retained earnings	-1 307		2 870	-129	1 435
<i>Other reserves</i>	6 550	-5 000		-129	1 421
<i>Retained earnings</i>	-7 856	5 000	2 870		14
Net income for the Period	370				370
Non-controlling interests	23				23
Total Equity	4 672				4 672



CCA - Contingent Capital Agreement: €485mn available

CCA - Compensation amounts

(€ million)



- As agreed in Oct-2017, at sale process of novobanco, a Contingent Capital Agreement (“CCA”) was entered into between the Resolution Fund (“FdR”) and the Bank.
- Following the dispute between the Resolution Fund and novobanco in the Arbitration Court regarding the payment requested under the 2020 CCA call, the Court announced on 4 June 2024 that the Bank is entitled to the following amounts:
 - *Application by novobanco at the end of 2020 of the IFRS 9 transitional regime: €162mn;*
 - *Valuation of participation units: €18mn (plus interests);*
 - *Interest on late payment as a result of the delay in paying the €112mn instalment of the 2020 capital call: €5mn; and*
 - *Compensation for additional damages caused by the retention of the portion of €112mn relating to the capital call and the non-payment of the amount of €18mn: amount to be determined.*
- As of Jun-24, an total of €485mn remains available for losses recognised in a predefined portfolio of assets (“CCA Assets”) and other CCA covered losses (the “CCA Losses”) in case CET1 ratio decreases below 12%.
- The mechanism is in place until Dec-25 (the “CCA Maturity Date”), which date can be extended, under certain conditions, by one additional year.
- Until CCA Maturity Date (or early termination which would require mutual agreement between parties):
 - Novobanco is subject to a dividend ban
 - CCA Assets are subject to a servicing agreement with FdR

Fitch, Moody's and DBRS ratings

February 2024

Fitch

Intrinsic	Viability Rating (Investment Grade)	bbb-
	Support	ns
LT / ST		
	Issuer Default Rating LT/ST (Investment Grade)	BBB-/F3
	Deposits LT/ST (Investment Grade)	BBB/F3
	Senior Debt LT/ST (Investment Grade)	BBB-/F3
	Outlook	Neutral

March 2024

Moody's

Intrinsic	Baseline Credit Assessment /Adjusted BCA	ba1
LT / ST	Counterparty Risk Assessment LT/ST (Investment Grade)	Baa1(cr)/ P-2 (cr)
	Counterparty Risk LT/ST (Investment Grade)	Baa1/P-2
	Deposits LT/ST (Investment Grade)	Baa1/P-2
	Senior Unsecured Debt LT/ST	Ba1
	Junior Senior Unsecured	Ba1
	Outlook deposits / senior	Positive
Others		
	Covered Bonds	Aaa
	Subordinated debt	Ba2

December 2023

DBRS

Bank's Intrinsic Assessment (IA)	BB (high)
Long-Term Issuer Rating	BB (high)
Short-Term Issuer Rating	R-3
Long-Term Deposit (Investment Grade)	BBB (low)
Long-Term Critical Obligations (Investment Grade)	BBB
Senior Debt	BB (high)
Subordinated Debt	BB (low)

Rating profile based on Moody's scorecard continues to show upside

Metrics	Dec-23 Report Novobanco Upgrade			Based on run-rate 2023 (Strong- Profile)	
	Historical Ratio	Raw Score	Assigned Score	2023	Raw score
Asset Risk (25%)					
Problem Loans / Gross Loans	6.7%	ba2	ba2 =	4.4%	baa3 ●
Capital (25%)					
TCE ratio	16.2%	a1	baa3 ●	20.6%	aa3 ●
Profitability (15%)					
Net Income / Tangible Assets	-0.1%	caa2	baa1 ●	1.7%	a3 ●
Funding Structure (20%)					
Market Funds / Tangible Banking Assets	25.2%	ba1	ba1 =	18.4%	baa2 ●
Liquid Resources (15%)					
Liquid Banking Assets / Tangible Bank Assets	29.7%	baa2	ba1 ●	26.5%	baa2 ●
Aggregate Financial Profile		ba1	ba1 =		baa1 ●

Qualitative Adjustments

Total Qualitative Adjustments

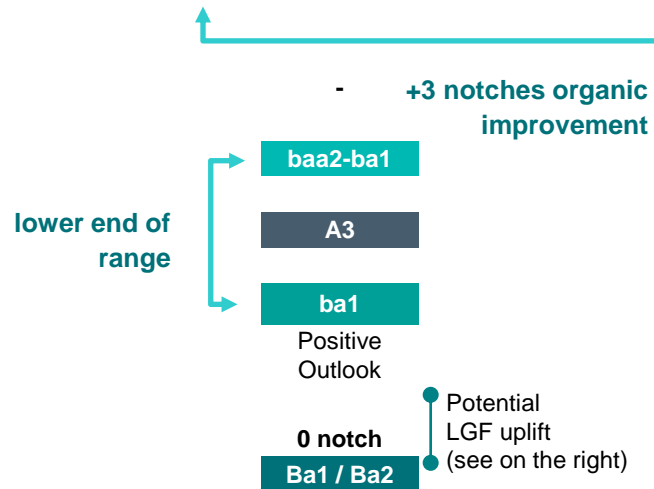
BCA range

Sovereign cap

Assigned BCA

LGF uplift

Senior/Tier 2 rating



Moody's Loss Given Failure notching table (Nov/23; pro-forma with Mar/24 SP issuance)

Loss rate		8%		(Volume + subordination) / TBA (%)				
		≥0 <4%	≥4% <8%	≥8% <10%	≥10% <12%	≥12 <14%	≥14 <16%	≥16%
Subordination / TBA (%)	≥0 <4%	-1	-1	0	0	1	1	2
	≥4% <8%		0	0	1	1	2	2
	≥8% <10%			1	1	2	2	3
	≥10% <12%				2	2	3	3
	≥12% <14%					3	3	3
	≥14% <16%						3	3

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Analysis for Senior Preferred:

- (Volume + subordination)/ TBA at 8.8%
- Subordination/TBA at 4.1%
- c.€0.5bn issuance of any SP / SNP / Tier 2 instruments to reach 10% (Volume + Subordination) / Tangible Banking Assets and therefore improve the score from current "0" to "1",
- Issuance volumes can be issued over a 3-year timeframe to induce uplift.

novobanco ESG vision is built-in in its “Shaping the Future” strategy, and tracked by our Social Dividend commitments



Customer-centric Bank

Reflecting evolving customer expectations through **distinctive value propositions**

Leveraging **digital and omnichannel approach** as drivers of **service** and **proximity**



Support our **clients transition** and maximize positive **impact on society and environment**



Simple and efficient operations

Simplifying the banking experience, through superior usage of **technology and data**

Improving **internal processes** to upgrade **productivity and efficiency**



Improve **efficiency**, enable **own transition**, ensure systems readiness for ESG



Developing people and culture

Attracting and developing a team of **skilled and fulfilled professionals** that actively **live the bank's values**

Developing a **dynamic collaborative culture** in an environment adapted to the **new ways of working**



Strengthen **capabilities, inclusiveness, diversity** and the **engagement** of our people



Developing sustainable performance

Delivering **sustainable returns** through disciplined risk, capital and funding management

Strengthening the integration of **ESG across business** to support sustainable growth and key stakeholders



Build a robust **ESG governance & risk management** framework



Our Social Dividend model was reviewed based on our latest Dual Materiality assessment

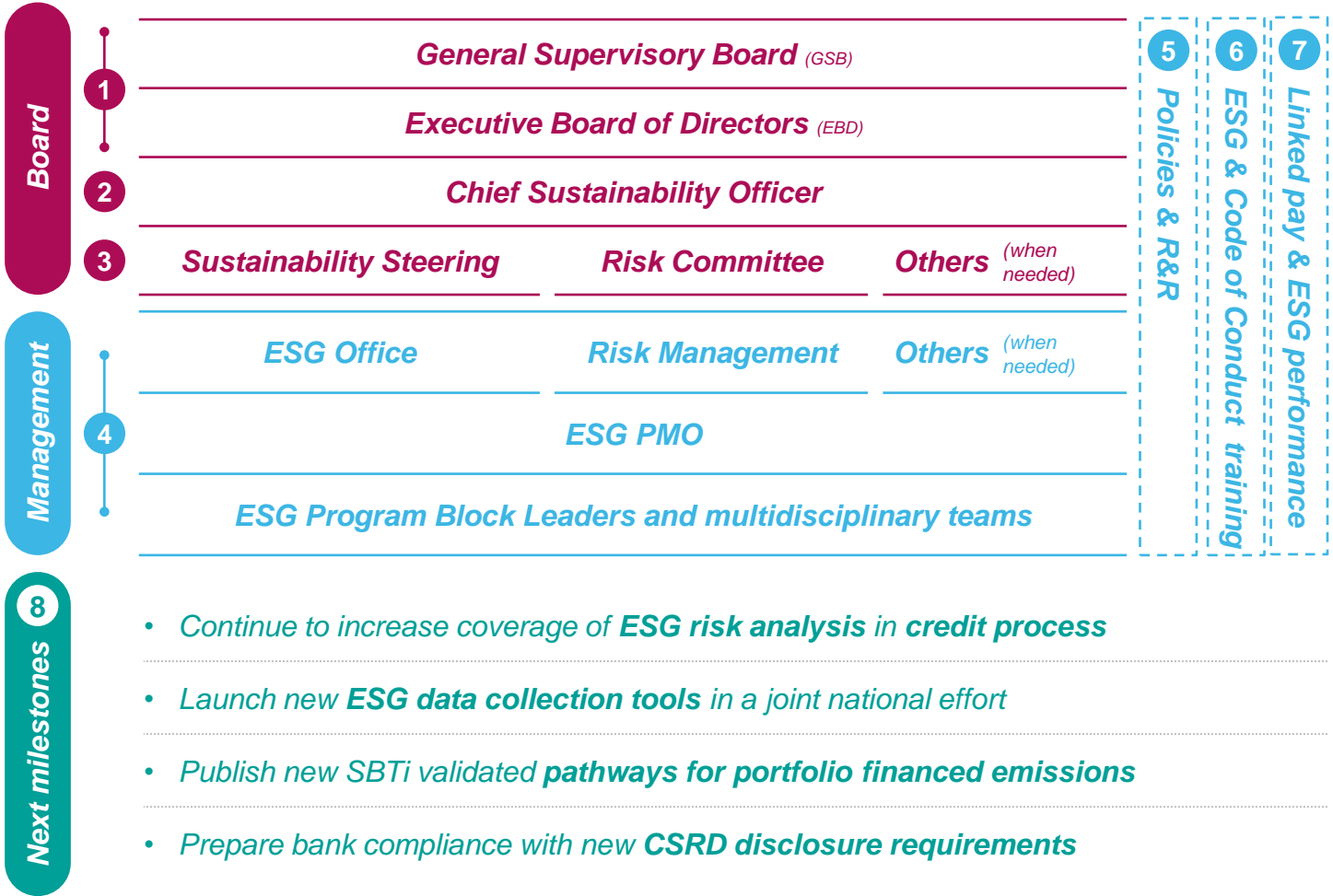
Customer-centric Bank	Simple and efficient operations	Developing people and culture	Developing sustainable performance
Green production¹ Target 2026 2.000 M€ ¹	Own emissions² Target 2030 -54% vs 2021	Equal pay³ Target 2026 Below 5%	Financed emissions reduction⁴ Target 2030 100% targets realized by sector
<div>✓ 359</div>	<div>✓ -51%⁹</div>	<div>✓ 5.4%</div>	<div>-</div>
ESG investment products⁵ Target 2026 60% of invest. products	Renewables share⁶ Target 2026 100%	Employee engagement⁷ Target 2026 At least 65%	Women in management⁸ Target 2026 At least 40%
<div>✓ 62%</div>	<div>✓ 100%</div>	<div>✓ 60%</div>	<div>✓ 39%</div>

1. Loans and investments considered under novobanco green financing policy with a 650 MEUR target for 2024; 2. Scope 1 and 2 Greenhouse Gas (GHG) emissions; 3. Equal pay gap calculated per function; 4. Achieving GHG emissions intensity targets in bank's loan and investment's portfolio for Power generation; Cement and CRE (Commercial Real Estate) sectors – value to be calculated by EoY 2024; 5. % of investment products (investment funds, financial insurances, structured notes or deposits) with ESG characteristics/ concerns – Art.8 and 9; 6. Net renewable energy share consumed (in locations where service is available); 7. Assessment of the level of employee engagement carried through the Pulse survey (average % of employee engagement level); 8. Previously Senior Leadership; 9. Calculated with annualized 2024 1stH data as compared to 2021;

Robust ESG Governance and clear roadmap

novobanco deployed a robust governance model for its **Global Sustainability Framework**

- 1 The Global Sustainability Framework is supervised by our **GSB**, with our **EBD** taking direct responsibility for its active management
- 2 Our appointed **Chief Sustainability Officer** ensures direct guidance on day-to-day activities
- 3 The **Sustainability Steering** safeguards the right cadence for implementing the ESG strategy, supervising our ESG KPI and KRI
- 4 Our **ESG Office** and **ESG PMO** manage the ESG program, with oversight over teams needed for the effort
- 5 novobanco **Policies** and **Roles & Responsibilities** are up-to-date with our Global Sustainability Framework
- 6 We ensure yearly trainings, for all employees, on **ESG** and **Code of Conduct**, to ensure the highest standards of ethics, service and protection of our clients' interests
- 7 We ensure right incentives are put into place by **linking performance appraisal and compensation** to our ESG KPIs, namely our publicly disclosed Social Dividend model, both at the Board and Management levels
- 8 Our **program roadmap** is updated regularly to ensure transparency and effective control



Income Statement	
Fees and commissions	Fee and commission income less fee and commission expenses
Commercial banking income	Net interest income and fees and commissions
Capital markets results	Dividend income, gains or losses on the derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains or losses on financial assets and liabilities held for trading, gains or losses on financial assets that must be accounted for at fair value through profit or loss, gains or losses on financial assets and liabilities accounted for at fair value through profit or loss, gains or losses from hedge accounting and exchange differences
Other operating results	Gains or losses on the derecognition of non-financial assets, Other operating income, Other operating expenses, Proportion of profits or losses from investments in subsidiaries and joint ventures and associates accounted for using the equity method
Banking income	The sum of Net interest income, Fees and commissions, Capital markets results and Other operating results
Operating costs	Staff costs, general and administrative expenses and depreciation and amortisation
Net operating income	Banking income - Operating costs
Provisions and impairments	Provisions or reversal of provisions, Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss, Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates and Impairment or reversal of impairment of non-assets financial
Balance Sheet / Liquidity	
Assets eligible as collateral for rediscount operations with the ECB	The Eurosystem only grants credit against adequate collateral. This collateral consists of tradable financial securities and other types of assets such as non-tradable assets and cash. The expression "eligible assets" is used for assets that are accepted as collateral by the Eurosystem.
Customer credit	Customer loans and debt securities associated with credit operations with clients, being Gross before impairments and Net after impairment
ALM portfolio	Securities booked in the Asset and Liability Management Portfolio, at fair value through profit or loss, mandatory at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost.
Net ECB funding	Difference between the funding obtained from the European Central Bank (ECB) and the placements with the ECB
Total Customer Funds	Deposits, other customer funds, debt securities and off- balance sheet customer funds
Off-Balance Sheet Funds	Off-balance sheet funds managed by Group companies, including mutual funds, real estate investment funds, pension funds, bancassurance, portfolio management and discretionary management.
Loan to deposit ratio	Ratio of [gross loans - (accumulated provisions / impairment for credit)] to customer deposits.
Banco de Portugal Instruction n. 16/2004	

Asset Quality and Coverage Ratios

Overdue loans ratio	Ratio of overdue loans to total credit.
Overdue loans > 90 days ratio	Ratio of overdue loans > 90 days to total credit.
Overdue loans coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans.
Overdue loans > 90 days coverage ratio	Ratio of accumulated impairment on customer loans (on balance sheet) to overdue loans > 90 days.
Coverage ratio of customer loans	Ratio of impairment on customer loans (on balance sheet) to gross customer loans.
Cost of risk	Ratio of initial fair value and impairment charges accounted in the period for credit risk and debt securities associated with credit operations with clients with gross customer loans and debt securities associated with credit operations with clients.
Non-performing loans	Loans classified as in default according to internal definition – which is line with regulatory definition from article 178 of Capital Requirement Regulation –, i.e. (i) loans with material overdue amount for more than 90 consecutive days or (ii) loans identified as unlikely to pay, in accordance with qualitative criteria.
Non-performing loans ratio	Ratio calculated with non-performing loans / loans to customers (gross)
Non-performing loans coverage ratio	Ratio calculated between impairment on customer loans and non-performing loans

Efficiency and Profitability Ratios

Efficiency (Staff costs / Banking income) Banco de Portugal Instruction n. 16/2004	Ratio of staff costs to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses)
Efficiency (Operating costs / Banking income) Banco de Portugal Instruction n. 16/2004	Ratio of operating costs (staff costs, general and administrative expenses and depreciation and amortisation) to banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses).
Profitability Banco de Portugal Instruction n. 16/2004	Ratio of banking income (net interest income, securities income, net fees and commissions, capital markets results, income from associated companies and subsidiaries and other operating income and expenses) to average net assets.
Return on average net assets Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average net assets.
Return on average equity Banco de Portugal Instruction n. 16/2004	Ratio of income before tax and non-controlling interests to average equity.

Designations & abbreviations	
YTD	Year-to-date
YoY	Year-on-Year
ECB	European Central Bank
CRD IV	Capital Requirements Directive 2013
CRR	Capital Requirements Regulation
NIM	Net Interest Margin
€, EUR	euro
€mn	millions of euro
€bn	billions of euro
€k	thousands of euro
bps	basis points
pp	percentage points
RWA	Risk weighted assets



1.6 MILLION REASONS WHY WE'RE PORTUGAL'S BANK OF THE YEAR.

This is the number of novobanco customers.

It is for each and every one of them that we work diligently every day, aiming to offer products and services adapted to their needs.

We strive to provide them with the most convenient banking experience, using secure and innovative digital channels.

We highly value their trust and we are committed to supporting their financial growth throughout their lives.

**This award is dedicated to them, and for them,
we will continue to further excel.**

novobanco

The prize is the sole responsibility of the entity who awarded it.

PUB | NOVO BANCO, S.A.

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Next Events

- Sep 5: BofA Speed Dating (Copenhagen)
- Sep 11-12: ECBC Covered Bond Congress 2024 (Porto)
- Sep 18: MS 2024 Southern European FIG Conference (London)
- Sep 24: BofA 29th Annual Financials CEO Conference 2024 (London)
- Sep 25: Barclays Hybrids & Capital Conference (London)
- Oct 10-11: BofA Securities EMEA Capital Markets Conference 2024 (London)
- Nov 7: JB Capital Iberian Banks Day (Madrid)
- Nov 21: Santander FIG Debt Conference 2024 (Madrid)
- Nov 22: JPMorgan European Financials Conference (London)
- Nov 25: BofA European Credit Conference 2024 (London)



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